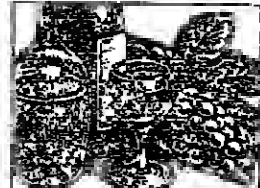




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Martin Wolf: taking an axe to the Leviathan  
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**French wine-making**  
Jancis Robinson: a really rotten year for Burgundy  
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**Arts and the lottery**  
Antony Thornecroft: will it end in tears?  
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# FINANCIAL TIMES

Europe's Business Newspaper

MONDAY SEPTEMBER 26 1994

## Haiti leadership meets US officers after gun deaths

Haiti's military leadership met US officers after the first deadly conflict since US troops landed a week ago left a reported 10 Haitians dead and a US sailor slightly wounded in the northern city of Cap-Haitien. President Bill Clinton, who will address the United Nations General Assembly today, said he regretted any loss of life but warned that US troops would continue to respond to hostile action against them. **Page 16**

**Fashion houses in corruption probe:** The name of Giorgio Armani has now been added to a growing list of fashion designers who have fallen foul of an inquiry by Milan anti-corruption magistrates into pay-offs to the Guardia di Finanza, Italy's financial police. **Page 16**

**Lufthansa:** German national airline, plans to reduce the group's long-term net debt by nearly DM3bn (\$1.9bn) by 1997 as part of its overall restructuring and financial recovery. **Page 17**

**MatWest set to bid for Irish TSB:** National Westminster Bank is likely to be allowed to make an £110m (\$173.8m) bid for TSB Bank in the Republic of Ireland as part of an effort by the Irish government to create a "third force" in the banking sector to rival Allied Irish Banks and Bank of Ireland. **Page 17**

**Hiscox Group:** Lloyd's agency, is to seek a stock market listing for its "Dedicated" investment fund, which provides corporate capital exclusively to its four syndicates. **Page 17**

**Adams begins two-week tour of US:**



Sinn Féin leader Gerry Adams (left) began a tour of the US aimed at building support for a peace settlement in Northern Ireland. Speaking in Boston, Mr Adams said Sinn Féin, the Irish Republican Army's political wing, would consider a coalition government with Britain. His two-week tour will also take him to Hartford, Detroit, Cleveland, New York, Philadelphia, Washington, San Francisco and Los Angeles.

**Euro-funds sought for rail link:** Britain has launched a bid for a £500m West Coast mainline rail link so that it can receive funding from the European Union. **Page 7**

**Ukraine needs \$1bn for reforms:** Ukraine will need nearly \$1bn in foreign assistance this year to implement radical economic reforms, according to senior Ukrainian officials. **Page 3**

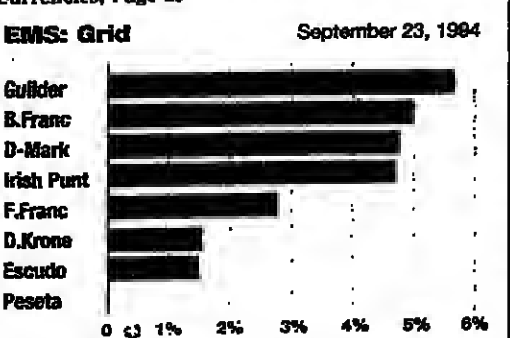
**N Korean talks make little headway:** US negotiators admitted that talks with North Korea on its nuclear facilities were making little headway, as Pyongyang repeated that it would not accept international inspection of two suspect nuclear sites and warned that US military exercises were "provocations". **Page 6**

**Major and Yeltsin discuss peace-keeping:** John Major, UK prime minister, and President Boris Yeltsin of Russia reviewed a broad range of peace-keeping operations, with particular emphasis on Bosnia, during the final day of the president's visit to Britain. **Page 7**

**Asean in disarray over free trade:** The six members of the Association of South-east Asian Nations are in unusual disarray over a proposal to turn the Asia-Pacific Economic Co-operation group into a free-trade zone by 2020. **Page 6**

**US-Japan trade:** US and Japanese officials are heading into the final week of trade talks with at least partial agreement in sight after 15 months of fruitless negotiations. **Page 8**

**European Monetary System:** Currencies, **Page 29**



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

**Sixteen injured in lifeboat accident:** Sixteen crew were injured when a ferry lifeboat plunged 20 feet into the water during a safety drill. The British crew of the P&O European Ferries' Pride of Hampshire had been carrying out a routine lifeboat drill in the French port of Cherbourg.

**Hill closes on Schumacher:** UK racing driver Damon Hill moved to within one point of Formula One championship leader Michael Schumacher by winning the Portuguese Grand Prix in a Williams-Renault. Scotland's David Coulthard, also in a Williams-Renault, was second. Germany's Schumacher has now completed a two-race ban and will be available for the last three events of the season.

## Germans defend EU against the Polish gnome

By Judy Dempsey in Berlin

Mr Stanislaw Sawicki says he no longer understands the meaning of free trade.

"All I want to do is to sell my garden gnomes. But the Germans will not allow them into the country," he said outside his small factory. "If the European Union means anything at all, it should be about free trade. Our gnomes represent many of the things that are wrong with the EU."

Two years ago, Mr Sawicki,

Cheap manufacturers say free trade stops at bottom of the garden

like other hudding entrepreneurs in Nowa Sól, a small Polish town, 80km from the border, decided to start manufacturing garden gnomes for the German market.

"The Germans loved our gnomes. They were just like the German ones, and they were much, much, cheaper. Here was a real chance for competition," he explained.

Business was brisk. Mr Sawicki and his staff of six were making

4,800 plaster and 2,000 plastic gnomes a month. "We would just go across the border and sell them... We were selling the big gypsum gnomes, which are 75cm high, for about DM13 (\$8.40) and the plastic ones for about DM24. Normally, the German-made gnomes cost over DM100."

Then things started to go wrong. "One day, the German customs officials would not let my gnomes cross the border.

They said we were, well, I suppose pirating the German design," said Mr Sawicki. "But what is it all about? Business is business. The German gnomes manufacturers are just afraid of competition."

German customs officials, who since unification are spending a great deal of time trying to prevent counterfeit goods entering the country from eastern Europe, say they are simply applying the

law to the Polish gnomes.

Mr Gerd Grau, a senior federal customs official responsible for the eastern German state of Brandenburg which adjoins Poland, said his staff were trying to stem the smuggling of pirated goods into Germany.

"German designs, and other labels, whether they relate to clothes, sportswear, perfume, or tape cassettes, are being copied and produced very cheaply in

eastern Europe and making their way into Germany - garden gnomes included. I'll show you what I mean," he said.

Mr Grau took out a large file containing photographs of garden gnomes. "You see these gnomes. These are authentic German gnomes. If any Pole tries to bring an exact replica of any of these designs across the border, we cannot allow them into the country."

Polish gnome manufacturers

Continued on Page 16

## UK suggests IMF sells gold to aid poor nations

By Philip Coggan, Economics Correspondent

The International Monetary Fund should sell some of its gold reserves to help poor countries, Mr Kenneth Clarke, the UK chancellor of the exchequer, will propose tomorrow.

Mr Clarke will tell the finance ministers of the Commonwealth countries at their meeting in Malta that his plan would benefit heavily indebted countries trying to reform their economies.

His plan goes further than the so-called "Trinidad" terms, which were intended to reduce the burden of debts owed by poor countries to other governments. The new proposals would help those countries that owe large sums to international institutions such as the International Monetary Fund and World Bank. Such debt is not covered by the Trinidad terms.

Mr Clarke's suggestion that the IMF should sell part of its gold reserves to finance the scheme is likely to prove controversial.

His plan would benefit indebted countries which are complying with IMF programmes for the "structural adjustment" of their economies. The countries which Mr Clarke thinks are most

likely to benefit include Guyana, Honduras, Kenya, Laos, Mozambique, Sierra Leone and Uganda.

Mr Clarke will call for the IMF to increase its enhanced structural adjustment facility, which provides concessional loans to poor countries, and improve the terms on which such concessional loans are made. The World Bank would also extend its concessional lending programme. The aim would be to reduce interest payments on debt to a low level and extend the period required for repayment.

The UK believes the IMF would need to sell less than 10 per cent of its gold reserves, currently worth about \$40bn, to finance the scheme. Sales would be spread out over several years and could be managed so as not to disrupt the gold market.

Persuading the IMF to sell part of its gold might prove difficult, but the UK feels that too much of the fund's reserves are held as

Continued on Page 16

## Coalition partner heads for clear majority ■ FDP suffers setback

### Boost for Kohl as CSU nears Bavaria poll win

By Andrew Fisher in Munich and Michael Lindemann in Bonn

Bavaria's ruling Christian Social Union, which is Chancellor Helmut Kohl's closest ally in the German coalition government, was last night heading for an absolute majority in the last state election before the federal poll on October 16.

The better-than-expected CSU result will give a boost to Mr Kohl's re-election chances. However, the Free Democratic party, the junior partner in Mr Kohl's government, suffered another setback: exit polls reported on German television predicted that as in other elections this year - it would not gain the 5 per cent needed for a place in the state parliament.

The CSU, the more conservative sister party of Chancellor Kohl's Christian Democratic Union (CDU), was expected to score between 52.8 and 54 per cent according to the polls.

Mr Theo Waigel, the CSU party leader and finance minister in Bonn, said: "I am very satisfied. We can be very pleased with this result." Mr Edmund Stoiber, the Bavarian premier, said: "This is good support for Kohl and Waigel."

The opposition Social Democratic party (SPD), appeared to have failed to make the break-



Victory time: Bavaria's premier Edmund Stoiber of the ruling Christian Social Union party listens to a traditional brass band after voting yesterday in his home town of Wolfratshausen near Munich

through it hoped for, with forecasts of between 30 and 31.5 per cent. The expected result for the party was, however, a substantial recovery from the 26 per cent it polled at the last state elections four years ago.

According to the exit polls, the left wing Green party was expected to return to the state legislature with around 5.5 per cent, but the far-right Republican party looked unlikely to get more than 3 per cent, down from 4.9 per cent four years ago.

The result is an endorsement of Mr Stoiber, who has had to work hard to breathe life into a party which has been battered by a

series of corruption scandals in the last 18 months. It means his party has won an absolute majority in the state legislature for the ninth time running.

The SPD is likely to argue that it has substantially improved its position, but will nevertheless be disappointed at failing to deny the CSU its absolute majority. The SPD has never won more than 36 per cent in Bavaria, the most conservative of Germany's 16 Länder.

Although the party began the year with promising results in opinion polls and Mrs Renate Schmidt, the SPD leader in Bavaria, fought a spirited campaign,

voters returned to their traditional allegiances in a relatively high turnout.

Polls indicated that around 70 per cent of the 8.7m eligible Bavarians had voted, about 4 per cent more than four years ago, contradicting suggestions that voters had become apathetic.

The outcome for the far-right Republicans in the German state in which their support has traditionally been strongest is a severe reverse, and confirms that they are unlikely to get into the German Bundestag at the forthcoming general election.

Kohl beams from on high, **Page 3**

## PepsiCo sees \$100m purchasing savings

By Diane Summers, Marketing Correspondent

PepsiCo, the US beverage, snacks and restaurant business, hopes to save \$100m a year in its rapidly-expanding European operations by centralising the purchase of services and materials, including TV advertising, sugar, flour and packaging materials.

Heads of Pepsi-Cola, Pizza Hut, KFC (formerly Kentucky Fried Chicken) and the company's snack food division have been meeting over the last year to identify which items they purchase in common. The company is hoping the savings, which would carve about 5 per cent off PepsiCo's \$3bn costs in Europe, will be in place in a year.

As part of the same exercise, the company has launched a drive to persuade its trade customers, including leisure park operators and cinema chains, to buy the full range of PepsiCo products and services. It recently flew 600 trade customers from eastern and western Europe to Ibiza for a weekend of presentations and entertainment.

The company wants the differ-

Continued on Page 16

## Salinas sets out claim to lead WTO

By Stephen Fidler, Latin America Editor, in London

President Carlos Salinas of Mexico today launches his public campaign to become head of the proposed World Trade Organisation with a call for governments to intensify efforts to ratify the Uruguay Round trade agreement.

The agreement, which took seven years of negotiations to achieve, risks becoming a footnote to history if it is not ratified by the year-end, he writes in today's Financial Times.

Of the 123 countries that signed the accord, nearly 100 have yet to complete the internal processes necessary for ratification. "Although the deadline is three months away, it is disturbing that the pace appears slow in a number of capitals. Efforts to solve any outstanding problems they are experiencing should be intensified."

Mr Salinas is one of two leading candidates to head the WTO, which is expected to succeed the General Agreement on Tariffs and Trade early next year.

The new body will have a more formal structure, stronger disciplinary powers and probably a more widely ranging role than its 47-year-old predecessor.

The appointee will be chosen by consensus later in the autumn. The other main candidate is Mr Renato Ruggiero, a

Trade winds that bode only good **Page 14**

former Italian trade minister, who is being backed by the EU.

Mr Salinas, who is expected to receive the support of the US, says the new organisation must meet three conditions. It has to be:

- Representative of world trade. The 20 countries, including Russia and the Ukraine, seeking admission to the world trading system should be admitted promptly;
- A reliable institution for its members, which requires that all governments be committed to its rules and be engaged in the WTO at the highest level;
- Responsive to the evolving needs of the international economy.

Mr Salinas argues that as trading relationships became more complex it is essential that the WTO be technically effective.

"It should dedicate itself not to offering solutions - for this is up to member governments - but to identifying options, to supporting bridge-building efforts," he says.

The statement appears designed, among other things, to underline the importance of a high-level individual to head the organisation.

"I'm arriving tonight and I have no time to pack. How much do I have to bring?"



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# Berlusconi set for showdown talks with unions on pensions

By Robert Graham in Rome

The Italian government will today make a third and possibly final attempt to convince the sceptical trade union movement to accept proposals for pension reform.

The proposals, already watered down last week to meet union objections, are central in the preparation of the 1995 budget, which has to be presented to parliament by Friday.

The centre-right coalition government's credibility with financial markets hangs on the final form of the budget.

The lira has been under pressure since early August because of fears that Mr Silvio Berlusconi, the prime minister, will lack the leadership to push through a convincing austerity package.

Before meeting trade union leaders, Mr Berlusconi has scheduled a summit of his coalition partners.

This is intended to co-ordinate the government's final position: but Mr Berlusconi must also resolve the increasingly thorny problem of the future of the RAI, the state broadcasting organisation.

Mr Umberto Bossi, the leader of the populist Northern League, is committed to introducing legislation to overturn recent government appointments to the new management and editorial control of the RAI.

The League has forged an alliance with the opposition, which is worried that the government now controls both public and commercial television.

A League-opposition alliance would have a parliamentary majority and the government could be completely humiliated.

Over the weekend President Oscar Luigi Scalfaro gave implicit backing to the League and opposition protests, and warned that television must be run with an even hand in the interest of all Italians.

This continued guerrilla activity against Mr Berlusconi from among his own coalition partners risks impinging on the preparation of the budget.

Matters are further complicated by a report, which is due out this week, by three legal experts whom Mr Berlusconi has asked to draw up proposals to avoid a conflict of interest between his ownership of his Fininvest media empire and his role as prime minister.

For the 1995 budget, the government is seeking to find up to L50,000bn (€20.3bn) in extra revenues and spending cuts to hold the public sector deficit in 1995 to below 9 per cent of gross domestic product.

Under pressure from the trade unions, the government has reduced its emphasis on spending cuts and placed

more importance on revenues.

But the precise amount to be found from cuts in pension benefits still has to be negotiated.

The treasury originally sought L3,000bn but last week this figure appeared increasingly unrealistic.

The unions are threatening a general strike if the government is unable to bridge the gap in their positions.

On Saturday, Mr Giovanni Agnelli, the head of Fiat and recognised spokesman for Italian business opinion, hosted an informal dinner for Mr Berlusconi and industrialists.

Though the occasion was reportedly amicable, it was nevertheless a clear indication of the industrialists' growing impatience at the series of own-goals committed by the five-month-old Berlusconi government.

Mr Agnelli is understood to have conveyed the industrialists' fears if the budget fails to convince financial markets.



Mr Jacques Chirac (left) leader of France's ruling RPR party, has invited Prime Minister Edouard Balladur to run as number two on his presidential ticket next year, in an attempt to avoid fratricide between the two Gaullists, writes David Buchanan in Paris. With no vice-presidential slot in France, Mr Balladur would be designated as prime minister again if Mr Chirac won. But Mr Balladur appears to have no intention of playing second fiddle to his party leader. According to an IFOP poll in yesterday's *Journal du Dimanche*, Mr Balladur's popularity has dropped sharply, but he still has 52 per cent support - a high rating for a French prime minister, and he continues to win higher ratings than Mr Chirac.

## EUROPEAN NEWS DIGEST

### Germans press for wider EU

A weekend meeting between European Union and east European ministers highlighted German ambitions to advance the cause of EU enlargement to the east during its six-month presidency of the union. While ministers from Poland, Hungary, Slovakia, the Czech Republic, Romania and Bulgaria remained enthusiastic about preparations for inclusion in the single market, they also outlined the difficulties of bringing their economies into line with richer neighbours.

The challenge facing the six countries with associate membership is to set up appropriate legal and institutional frameworks and to harmonise legislation on competition and state aid. The commission plans to produce a White Paper next year establishing a programme for the associated countries to follow for adjusting their economies to the obligations of the internal market. The east European ministers said the greatest difficulties lay in competition policy. Harmonisation of rules on intellectual property rights was also singled out along with the introduction of technical standards on food, health products and the environment. A German official said the eastern European countries were unlikely to be ready for membership of the EU before the end of the century. The process of harmonising legal frameworks would probably take 10-15 years, he added, with Hungary expected to lead the way. *Emma Tucker, Frankfurt am der Oder*

### Fast train project approved

The Bundesrat, upper house of the German parliament, has approved the Transrapid magnetic levitation train between Berlin and Hamburg after a long dispute which threatened to scupper the project. The Bundesrat, or lower house, passed the legislation earlier this year, only to have it thrown out during the first session of the Bundestag. Although several Länder controlled by the opposition Social Democratic Party (SPD) voted against the bill, the majority backed the amended legislation which provides them with more extensive rights during the planning process. However, the SPD may set back the project if the party wins the federal elections on October 16.

With a maximum speed of 450kph (280mph), the Transrapid will race between the two city centres, providing an alternative to air travel, according to Thyssen Industrie, the company which has developed the system. The federal government will spend around DM5.6bn (€2.3bn) to build the track cities and a private consortium will operate the service. Total costs are expected to reach DM10bn and the service is expected to open by 2005. *Michael Lindemann, Bonn*

### Russia attracts investors

Russia is enjoying an upturn in foreign investment attracted by shares in Russian companies, according to Mr Anatoly Chubais, Russia's deputy prime minister for privatisation. He said share prices were soaring following the end of the voucher auctions in June. The second phase of privatisation - the selling of company stock for cash, with fewer privileges for the workers - is now under way.

Mr Chubais forecast that foreign investment would be running at \$1bn a month by the end of this year and would continue to grow in 1995. It had totalled over \$2bn in the first six months of the year, and was growing by around 40 per cent a month. Brokers have also reported a growth in portfolio investments in Russia this year. Stocks in sectors like energy, telecommunications and other utilities have commanded high prices as especially US hedge funds and wealthy individuals scramble for holdings in the Russian market. *John Lloyd, Moscow*

### Repsol offering postponed

Mr Pedro Solbes, Spain's economy minister, said he was not expecting any additional revenue from privatisations before the end of the year, due to market conditions. However, the minister has budgeted for income totalling Ptas300bn (€1.5bn) in 1995 through the disposal of government-held equity. Mr Solbes' disclosures suggest that Repsol, the government-controlled oil, gas and chemicals group, is now likely to postpone for several months an international share offering which it had planned for the last quarter of this year.

Repsol, which is 41 per cent government-owned and has a broad international investor base, said it would consult its advisers, Goldman Sachs of the US, and Spain's Banco Bilbao Vizcaya. The two banks had recently offered an offer of 13 per cent of the government's equity in the energy group last year which realised \$866m. Repsol said in May that it hoped to raise between \$1.4bn and \$2.2bn in a further offering before the end of this year. *Tom Burns, Madrid*

### Slovaks warm to privatisation

More than half a million people have registered to buy shares through Slovakia's voucher privatisation programme since its launch three weeks ago by a government which hopes privatisation will prove a vote winner at next weekend's general elections. The Slovak coalition parties hope that this privatisation will take votes away from Mr Vladimir Meciar, the populist leader of the opposition, who has threatened to scrap the programme if his Movement for a Democratic Slovakia wins the election.

Fifty thousand books of vouchers, each valued at Kest1,000 (€20.50), are being sold every day, the privatisation minister, Mr Milan Janikovic, said recently. Three quarters of Slovakia's 5.3m people are eligible to take part in the programme which involves the sale of stakes in 138 state-owned companies with a total value of Kcs44.8bn. More are expected to be included before the elections. However, the government's original target of approving Kcs80bn of assets for voucher privatisation before the election will not be met. *Vincent Boland, Bratislava*

## CONTRACTS & TENDERS

### INTRODUCTION OF SYNCHRONOUS DIGITAL HIERARCHY EQUIPMENT IN HUNGARY

#### Prequalification Notice to Prospective Suppliers

The Hungarian Telecommunications Co. Ltd. (HTC) is to introduce Synchronous Digital Hierarchy (SDH) equipment families in the Hungarian telecommunications network. Suppliers will be selected from among qualified bidders invited by HTC to participate in 2 tenders planned to be issued in the near future.

The tenders will cover two projects, to be implemented in 1995 and 1996:

- SDH Development of the Budapest Trunk Network (with approximately 30 nodes), and
- SDH Development of the Hungarian Backbone Network (with approximately 50 nodes, and all major international links)

Both projects will cover complete, integrated SDH networks, consisting of:

- cross-connect equipment
- point-to-point transmission links, and
- self-healing optical rings.

Suppliers' responsibilities will include the implementation design, manufacture, supply, delivery, installation, commissioning, and system integration of the equipment of the SDH network, and will exclude the existing infrastructure, such as installation of optical cables, microwave towers, power supplies, etc.

At network nodes the following equipment shall be installed for the individual projects:

SDH Development of the Budapest Trunk Network	SDH Development of the Hungarian Backbone Network
- STM-1, and STM-4 add/drop and terminal multiplexers	- STM-1, and STM-4 add/drop and terminal multiplexers
- STM-16 optical line systems (line multiplexers)	- STM-16 optical line systems (line multiplexers, regenerators)
- STM-1 microwave systems	- STM-1 microwave systems
- DXC 4/1 cross-connects	- DXC 4/1 cross-connects
- NE management software	- DXC 4/4 cross-connects
	- NE management software

Original equipment manufacturers who wish to be considered for prequalification for any of the above explained tenders are invited to submit a capability statement, addressing the questions below. In case of:

- a main contractor with sub-contractors, or
- a consortium

all companies (including sub-contractors or consortium members) shall submit the applicable statements and evidences according to their planned responsibilities in the frame of the project targeted.

Applicants shall acknowledge that in case of successful qualification they are supposed to participate in the tender with the same sub-contractors or consortium members qualified by HTC for the relevant project. Although at the time of tendering bidders will be allowed to make minor changes concerning their actual partners and their responsibilities, HTC shall have the right to refuse any sub-supplier, sub-contractor or consortium member not approved in the course of the prequalification.

Documentary Evidences	Minimum Criteria
Company profile including type and size of the company, and consolidated financial statements (balance sheets and statements of income) for the last 3 years	minimum annual turnover: - in case of a single supplier, main contractor or consortium leader: an equivalent of 50 million USD - in case of equipment sub-supplier or consortium members: an equivalent of 15 million USD - in case of sub-contractors (for installation, etc): an equivalent of 5 million USD
Details of at least 3 similar SDH projects completed or currently being implemented	- each project shall be described, and reference letters signed by the customers shall be attached (with a certified English translation, if necessary) - each project value shall be at least 3 million USD - the value of the bidder's own SDH equipment shall represent at least 1.0 million USD for each project (in case of other companies participating under the bidder's control) - all companies involved shall submit a statement that they are capable of arranging a visit by HTC to any site of the documented reference projects
List of telecommunications authorities which have already approved the offered SDH equipment	approval certificates from at least 2 (two) authorities for each equipment category shall be submitted, with certified English translation, if necessary
List of other vendors, if any, whose devices the bidder (as a main contractor or the leading party of a consortium) intends to integrate with his own equipment for the relevant tender	- authorisation by the vendors - attachment of the vendors' capability statement in response to all the applicable requirements stipulated in this table - realistic allocation of responsibilities among the partners
Description of the project management methods and tools	demonstrated ability to efficiently and reasonably manage, monitor and administer all activities, including the control of sub-contractors or consortium members
Technical brochures	- compliance with the relevant European standards and recommendations - approval by the Hungarian Telecommunications Inspectorate, or willingness to obtain the same in case of contract award
Description of the current network management system applied for the SDH equipment	- a declaration stating that as soon as the relevant international standards are set up, the company will develop a centralised network management system, capable of interworking with other SDH equipment
Development history and planned future developments of the SDH equipment	- a well thought out development strategy, targeting totally own manufacture of all equipment in the near future.

Only those companies and/or groups of companies will be qualified to participate in the coming tender who have met the above minimum criteria. Separate prequalification materials shall be submitted for the two tenders.

Prequalification materials shall be received before 4.00 pm on 18th October 1994, at the following address:

Inteltrade Co. Ltd.,  
Mr Zoltán Kecskés  
Deputy Head of Procurement Dept.,  
Budapest, Medve u. 25-29, 1027 Hungary  
Tel: +361-201-0045, -0054 Fax: +361-201-0017, -0008

Prequalification materials shall be submitted in 5 (five) copies in English for each of the targeted projects. In case of reference letters or other attachments written in other languages a certified English translation shall also be enclosed too.

## Germany passes law to compensate property owners

By Judy Dempsey in Berlin

The Bundesrat, upper house of Germany's parliament, has passed a law to compensate former property owners in eastern Germany. The law, which will speed up investment decisions in the east, follows three years of wrangling over terms and funding.

Under the unification treaty, which laid out the settlement of property rights in eastern Germany, owners are entitled to full compensation or restitution for property confiscated between 1933 and 1945 by the Nazis, or by communists between 1949 and 1990.

However, the unification treaty did not say how claimants should be compensated, at what level, or how this compensation should be financed.

Issues which have been the subject of lengthy disputes in the German parliament.

The law provides compensation based on the valuation of land dating back to 1935. However, assessment will depend on the type of property and whether it was owned or leased, and a different system will apply for land. For example, those who had owned family houses and small businesses will receive compensation, but the 1935 land valuation will be multiplied by seven, the valuation for those who had rented property will be multiplied by 4.5, while the valuation for those who owned land will be multiplied 20-fold.

The former owners will receive bonds redeemable in 2004.

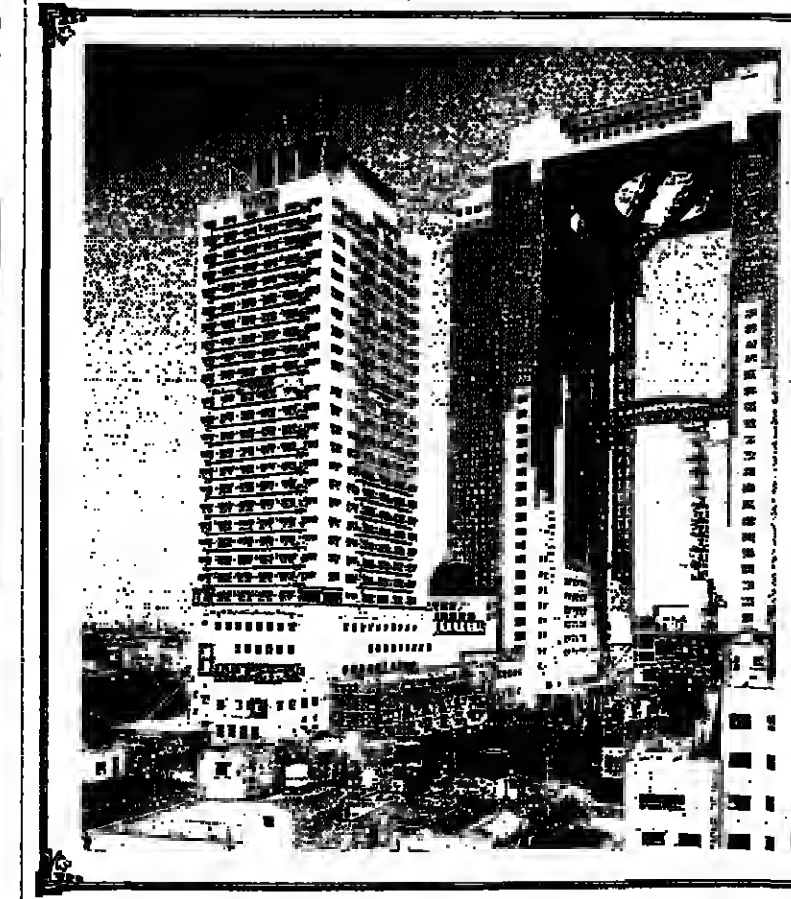
In addition to those whose land was confiscated by the Nazis and the communists, the Bundesrat also agreed to grant concessions to those property owners whose land was expropriated by the Soviet Union which administered eastern Germany between 1945 and 1949, but who have no right to either compensation or restitution. These former owners, who owned large estates in eastern Germany, will now be entitled to buy back a percentage of their property below the market price, and they will be able to rent their property, again at a discount.

A further DM3.4bn has been put aside for the 110,000 "settlers" - those Germans who were expelled, or forced to flee eastern Europe but who settled permanently in eastern Germany after the second world war. In addition, DM2bn has been allocated to victims of the Nazis in eastern Germany.

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CENTRE STAGE: Kohl campaigns before an election poster

## Kohl beams from on high

'Feelgood' chancellor radiates poll confidence, writes Quentin Peel

"The Chancellor's coming," the posters proclaim, and the faithful are gathered in eager expectation in their spanking modern tennis stadium in Halle, Westphalia, modelled on the Centre Court at Wimbledon. Three brass bands take it in turns to warm up the crowd. Suddenly he's there, surging up the aisle surrounded by a phalanx of sober-suited young men, to the thoroughly inappropriate martial strains of "Prussia's Glory". Mr Helmut Kohl, the beefy provincial politician from the west German Rhineland-Palatinate is a decidedly un-Prussian figure. Here is the man who is both messenger and message of the ruling German coalition and his own Christian Democratic Union (CDU). His very bulk and reputation are the issues at stake in the forthcoming general election on October 16.

All his party posters have his beaming picture, radiating security and stability, with the slogan: "Germany is the issue."

hilariously exploiting his image as the personification of mate-

rial well-being, solid citizenship and German unification. Mr Kohl is the ultimate exponent of the "feelgood factor", displaying confidence in the future, with a good dose of stern statesmanship to temper it. Only nine months after the polls wrote him off in public popularity, the Chancellor is back on a roll which looks likely to carry him to a fourth term in government. He no longer really needs to attack his opponents in the Social Democratic party (SPD). Mr Rudolf Scharping and his lieutenants, Mr Oskar Lafontaine and Mr Gerhard Schröder. Yet his political instincts are too acute to resist it. In this heartland of west German prosperity, where the tennis stadium itself has been built merely to satisfy the whim of a local industrialist who wanted a Wimbledon in his home town, his top theme goes down well. He is determined to tar the SPD with the brush of being soft on Communism, in spite of the end of the Cold War. His target is the

Party of Democratic Socialism (PDS), reformed rump of the former East German communist party, which he denounces as "red-painted fascists". And the message is that the SPD can only hope to unseat him in Bonn with the tacit support of those communists. As for Social Democrats, he declares, "You don't have to sneak off to the cellar to have a good laugh." This is the man of the people who made it, the international statesman from Oggersheim who strides the world stage with the likes of Bill Clinton and Boris Yeltsin and yet whose homely rhetoric still belongs to the provinces. But the real message is about the broad sweep of history, not the minor details of party politics. It is about German unification, and his leading part in achieving it, the need today to unite the country economically and psychologically, rather than simply geographically. It is also about Germany's role in the international com-

munity and his passionate commitment to an integrated, united Europe as the essential counterpart in German unification. It is a theme which might not prove too popular to Germans who worry about the future loss of the D-Mark in a single European currency, but this is Chancellor Kohl the statesman: he puts the European Union right up front in his vision of the world. And it is about German competitiveness, and the need to carry on belt-tightening in the German economy to face up to the new competitors, not just in Asia, but just over the border in Czechoslovakia. It is a speech that runs to 90 minutes, without a note, and he's delivered it three times since noon, but electioneering is what Helmut Kohl does best: he thrives on the buzz of the auditorium and glad-handing in the crowd. He knows there are still a tough three weeks ahead, but he senses the tide is with him. He can afford to play the world statesman and leave party politicking to the rest.

## Libération tries to break free of revenue decline

John Ridding examines the spate of relaunches in the French press

French newspaper vendors will have to clear some extra space and strengthen their stalls this morning. Libération, the left-leaning daily, is launching a radical redesign, with a new typeface, a separate metro section, colour illustrations, and approximately double its usual 40 or so pages. Libé III, as it has been dubbed in reference to the newspaper's third redesign since its first edition in 1973, has ambitious objectives. "It is a sort of revolution as far as the French press is concerned," claims a spokesman for the paper. "The aim is to broaden the appeal of the newspaper and increase the number of readers."

Libération is not alone. Its redesign is part of a broader upheaval in the French newspaper industry. The staid Le Monde is preparing an ambitious redesign, to be unveiled at the beginning of next year, as is L'Express, the jazzy tabloid which heralded the upheaval with its cut-price, colourful format when launched in January. Regional newspapers, such as Ouest-France have also been back to the drawing board this year to sharpen their presentation.

In some cases, such as Le Monde, the redesigns coincide with the 50th anniversaries of their formation, which often followed the liberation of Paris in the second world war. For all, however, the motivation lies in a need to respond to the increased competition in the industry, depressed sales and reduced advertising revenue. Sales of national dailies have contracted by more than 15 per cent over the past three years, while advertising income has suffered an even sharper decline. As a result, many newspapers have gone into the red. Le Monde suffered a loss of FF44m (£5.3m) last year, compared with a profit of FF6m in 1992, while L'Express expects a deficit of about

FF40m this year. Others have fared still worse. Le Quotidien, for example, went into receivership this year. Libération has remained in profit, but admits its sales have stagnated over the past few years at about 170,000 copies a day. Economic recovery promises some improvement in revenues, but the industry remains beset by deeper problems. A reform of the advertising laws under the previous Socialist government prompted a shift towards television. As a spokesman for Libération points out, daily newspapers must also contend with a raft of weekly news magazines. "In France, these magazines are much more widely read than in other countries. It limits the readership for dailies," he said. Sales of Le Figaro, Le Monde and Libération, the principal national newspapers, were less than 1m copies.

Hence the relaunches. "What Libération and the others are trying to do is to create a new readership, to expand their market and break a vicious circle of declining readership and advertising expenditure," says a media analyst at a French merchant bank. He sees a trend towards more accessible presentation, broader coverage and the introduction of separate sections, as in the British press. At Le Monde, for example, Mr Jean Marie Colombani, the editor, promises a new format with easier access, and more contemporary and international coverage. Such overhauls, however, are not cheap. Libération plans to invest more than FF200m, of which it has so far raised about FF150m. Although the national dailies have largely escaped a price war, the new formats amount to something similar. Libé III will cost the same FF6 for twice as many pages. It is a gamble which raises the survival stakes across the industry.

## Ukraine 'needs \$1bn in aid to implement reforms'

By Chrystie Freeland in Kiev

Ukraine will need nearly \$1bn in foreign assistance this year to implement radical economic reforms, according to senior Ukrainian officials. A high-level Ukrainian delegation, including possibly President Leonid Kuchma, is expected to attend the International Monetary Fund and World Bank meeting in Madrid this week to plead Ukraine's case. On Friday, Ukrainian officials reached a preliminary agreement with the IMF on an economic reform programme which they say is the first step in a comprehensive package of reforms to be announced early next month. The agreement, the first since Ukraine announced its independence three years ago, and the economic programme being prepared by the government have helped convince western observers that Ukraine is on

the verge of attempting its first serious leap into market reforms. But Mr Roman Shepek, minister for the economy and leader of the Ukrainian side in negotiations with the IMF, said at the weekend that Ukraine will require \$960m aid before the end of the year if it is to meet the IMF target of a budget deficit no higher than 10 per cent of GDP. "Of course, the Ukrainian side must take the first step in market reforms, but we are ready to do so, and we hope that the west will respond," Mr Shepek said. "Now that we are ready to launch our reform programme, we are looking for a non-inflationary way to cover our budget deficit and this is where we hope that the west will help us." Mr Shepek said Ukrainian leaders would ask the US to convert \$200m earmarked for technical assistance projects in

Ukraine into direct financial aid. He said another source of immediate financial assistance could be the IMF, which, if the Ukrainian deal is signed as expected this week, could provide a first tranche of \$365m to Kiev soon. Mr Shepek said Ukraine would turn to the Group of Seven industrial nations and Russia for an additional \$400m. He said the reform programme included radical price liberalisation, although some controls would remain on bread prices. The state-controlled exchange rate was to be unified with the free market rate, trade policy would be liberalised, the confiscatory tax regime overhauled and privatisation accelerated. Mr Shepek predicted that the programme would cause inflation to jump to about 50 per cent a month, but it would then fall to 5 per cent a month.

## Jubilation in Serbia as UN lifts some sanctions

By Laura Silber in Belgrade

Serbia's President Slobodan Milosevic is a happy man. The UN decision to suspend some sanctions against his country has absolved him from the status of international pariah, and it may also have cleared the way for a final showdown with his erstwhile proteges, the Bosnian Serbs. The 100-day moratorium on some of the UN's punitive measures does not mean that life will improve quickly for the ordinary Serb, yet the jubilation in official circles is unmistakable. Belgrade's closely guarded press proclaimed yesterday that "the world has changed its mind about Yugoslavia." "The blockade has broken," read a headline in Vecernje Novosti, the highest circulation daily. The immediate effect of the UN decision is to suspend the

Bosnian Serbs have promised to end 10-day utilities blockade that has forced thousands to queue for water and scavange for firewood in Sarajevo, a Bosnian government minister said, Reuters reports. bans on direct flights, sporting and cultural exchanges with Serbia and Montenegro, the two remaining constituents of the Yugoslav federation. The UN move was approved as part of a twin strategy of tightening pressure on the Bosnian Serbs and rewarding Serbia for its apparent severance of links with its Bosnian cousins. In practice, few Serbs can afford air tickets, and formal culture virtually collapsed with the old Yugoslav state. As for sport, Yugoslavia is probably too late for the European football championship. The most draconian sanctions - including the freezing

of foreign bank accounts - remain in force, and the entire set of punitive measures could be reimposed if Yugoslavia openly resumes supplies to the Bosnian Serbs. But the optimism in Belgrade reflects a feeling that in practice, the sanctions regime will be very difficult to reconstruct once the international community has started to dismantle it. Russia is impatient for commercial links with Yugoslavia, as soon as the opportunity arises. The Yugoslav national carrier JAT expects the first direct flights to link Belgrade to Russia and then Greece - both staunch friends of Serbia. Within weeks, there could be air links with a host of European cities. The lifting of sanctions was bitterly opposed by the Bosnian government, which insists that Serbia is still supplying Bosnian Serbs.

# The Shining Stars Of the Multimedia Era

## The Laser Disc Makes Rapid Gains as the Ideal Audio-Visual Medium

These days, it's hard to open a magazine or newspaper without finding the word "Multimedia" in the headlines, and stories about how this new wave of the future, through the marriage of audio/video with computers and telecommunications, is going to transform our lives. But this technology is already firmly established in home entertainment systems: in educational hardware and software; and in commercial/industrial applications.

We're talking, of course, about the Pioneer Laser Disc. One of the earliest varieties of the so-called New Media, and, whether measured in terms of the numbers in use — or in terms of the sheer variety of applications — also one of the most successful. It's certainly the one with the brightest future.

What gives the Laser Disc, a playback-only medium, its strong appeal? Although it does lack the capability to make recordings — the main appeal of VCRs — the Laser Disc is unsurpassed in all other areas. Take its superb picture quality: Laser Disc technology makes possible a high-resolution TV image of 440 horizontal lines — as opposed to only 250 for conventional VHS videotape. Naturally the larger the TV screen, the bigger the difference in quality of viewing between LDs and VHS — as owners of projection TVs will attest. And Laser Discs provide dynamic sound accompaniment as well, thanks to 16-bit digitally recorded sound using the same 44.1kHz sampling frequency used by CDs.

But speedy programme location is where the Laser Disc really comes into its own. Unlike VCRs, which might take several minutes to locate the desired point on a videotape via fast forwarding or rewinding, at the most it takes only a few seconds for a Laser



Pioneer supplies Planeta S.A. of Spain with Laser Disc players and "education" software.

Disc to find the same point. This quick and random accessibility is a distinct advantage for commercial, educational and industrial applications, where huge amounts of information — moving and still pictures, text, and data can be quickly searched out by simply entering a few coded numbers or scanning in bar codes.

### A Continuous Stream of Improvements

As good as the technology and ease of operation, the key factor to the growth of the Laser Disc has been the

growing availability of LD software, which now includes a wide selection of cinematic hits, musical performances and educational programmes. Pioneer is in the forefront of Laser Disc software development as well.

The Laser Disc has also proved ideal for "karaoke" or sing-along, offering quick programme access, superb picture quality and dynamic sound. This Japan-born way of letting off steam has become one of the world's hottest forms of entertainment. Laser Karaoke software is now available in numerous languages, and includes huge numbers of international hit songs, "oldies," and even local folk ballads. Bars and other establishments featuring Laser Karaoke now number in the tens of thousands worldwide, and among them are Pioneer's own "Star Factories."

Laser Disc players do more than just play Laser Discs. All Pioneer consumer models also feature the capability to play music CDs. This LD/CD compatibility is especially appealing to audiophiles, because it lets them merge high-performance video and audio capabilities into a single unit, saving rack space

and money as well. And Pioneer has been continuously refining the design of its player units, so that they now offer even better picture quality and more convenient features. Some examples include HQ (High-Quality) video circuitry, a feature enabling more vivid imagery, that is incorporated into Pioneer's newest models. Another popular new feature in our "both-side play" model is the quick and silent γ (Gamma)-Turn mechanism, which enables playback of both sides of the disc without the need to flip it over manually. The ingenious design transports the laser pickup from side A to side B in less than 10 seconds while the disc remains stationary.

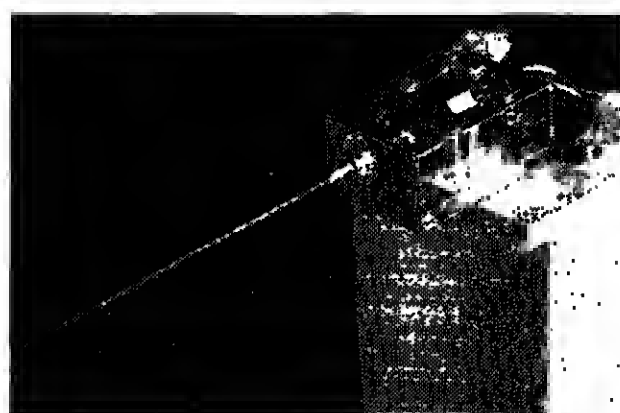
We've already explained how the Laser Disc is ideal for education or "edutainment" — a new word coined from the merging of "education" and "entertainment". Pioneer and Spain's top publishing group, Planeta S.A., last year concluded an agreement to market Pioneer's Laser Disc players and edutainment LD software, such as programmes on wildlife, through Planeta's sales channels in Spain. Since then, a huge number of LD players and

far larger number of LD software selections have been delivered to home users in Spain. This strong consumer interest in the Laser Disc underscores the arrival of a dynamic new entity: audio-video publishing.

### A Future with Unlimited Potential

Now in the second decade of its existence, the Laser Disc has only just begun to take advantage of its enormous potential. The Laser Disc's superb picture and sound quality and its quick, random-access capabilities are now being merged to create interactive software. Let's call this software LD-ROM. The vast memory capacity of LD-ROM offers far more potential than the popular CD-ROM or CD-I formats, making interactive programmes more dynamic, livelier and far more substantial in terms of the volume of information.

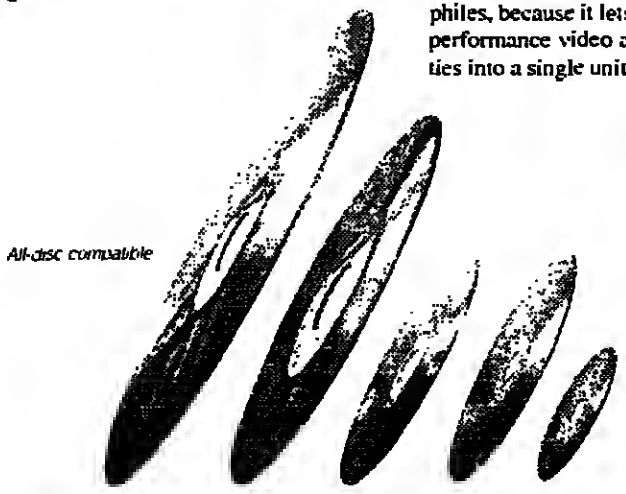
Laser Disc is already meeting the challenge from newcomers, such as Video-CD in 12-cm CD size. While the appeal of the smaller disc is undeniable, this size reduction can only be obtained through compression of the digitised



Pioneer developed SHG (Second Harmonic Generation) blue laser pickup for higher density recording on optical discs.

images — a process that seriously compromises the picture quality to the level of VHS.

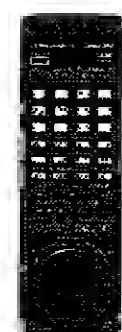
What is in store for the future of multimedia? Pioneer believes that only a format that provides users with uncompromising picture and sound quality will prevail. To achieve this, Pioneer is devoting major efforts into research and development of laser optics and high-density digital recording/playback technology, as exemplified by its recent announcement of the world's first SHG (Second Harmonic Generation) Blue Laser pickup, a breakthrough that in the not too distant future will make it possible to put a two-hour LD-quality movie on a single CD. In the meantime, the Laser Disc format will continue to display amazing staying power as the industry standard, offering better performance and a growing range of fascinating new applications.



LD (32 cm) LD (20 cm) CDV CD (12 cm) CD (12 cm) The new CLD-2060 CLD player with "both side play."



The new CLD-2060 CLD player with "both side play."



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## NEWS: INTERNATIONAL

## Pyongyang raises new demands and protests at US military 'provocations'

## North Korea digs in heels over N-talks

By Frances Williams in Geneva

US negotiators admitted at the weekend that talks with North Korea on its nuclear facilities were making little headway, as Pyongyang repeated that it would not accept international inspection of two suspect nuclear sites and warned that US military exercises were "provocations".

The atmosphere at the talks has been further clouded by remarks by the US Pacific Fleet Commander, Admiral Ronald Zlotoper, that US naval manoeuvres off the Korean coast sent "a very strong message" to North Korea comparable with the pressure on Haiti's military leaders to step aside.

In a predictably angry reaction, North Korea's foreign ministry said the US naval presence amounted to "undisguised military provocations" that could wreck the Geneva negotiations and end the freeze of the country's nuclear power programme.

Nevertheless, despite the bluster, the two sides met

twice over the weekend at working level and were due to meet again last night or today. The current negotiating session, which began on Friday, is expected to last about a week. The US team had hoped this time to reach a final settlement of the dispute with North Korea, based on the preliminary accord reached on August 12.

But Pyongyang has since raised new demands and seemingly gone back on aspects of the earlier agreement.

The two sides agreed in August that, as part of a final settlement, Pyongyang would freeze its current nuclear programme and accept full inspections of its nuclear facilities by the International Atomic Energy Agency (IAEA). In return, it would be given two light-water atomic reactors, help with its interim energy needs and the coveted diplomatic links with Washington.

However, Mr Kang Sok-ju, North Korea's chief negotiator at the Geneva talks, reaffirmed that Pyongyang would not accept special inspections of

two undeclared sites where the IAEA believes diverted plutonium may be stored.

North Korea is also demanding "several billion" dollars in compensation for giving up its graphite-moderated nuclear reactor programme. This is in addition to the \$4bn (\$2.5bn) estimated cost of providing the more "proliferation-proof" light-water reactors, which produce less weapons-grade plutonium.

In addition, Pyongyang is refusing to accept South Korean nuclear technology, saying it wants German or Russian reactors. The US, which is trying to put together a multinational consortium to meet North Korea's energy needs, including South Korea, Japan, China and Russia, says this demand is not practical.

There is also the vexed question of the 8,000 spent fuel rods corroding in a holding pond at the Yongbyon nuclear complex. North Korea says it is willing to encase them in concrete but the US wants the fuel rods shipped to a third country such as China.

## Hopes for a deal amid the rhetoric

Nancy Dunne reports on the US-Japan trade talks as Washington's deadline looms

US and Japanese officials are heading into the final week of trade talks with at least partial agreement in sight after 15 months of fruitless negotiations.

With a September 30 deadline for agreement looming, the rhetoric on both sides has been tough. President Bill Clinton last week warned Mr Yoshiro Kono, Japan's foreign minister, of sanctions. Japanese officials have advised the US not to count on last-minute climb-downs.

But an important obstacle to agreement was cleared off the table last week when Tokyo announced a stimulative tax cut package. The US has been pushing for such a move since the signing of a broad trade framework agreement in July 1993 by Mr Clinton and Prime Minister Kiichi Miyazawa.

Agreement is likely on other fronts. In disputes over procurement of telecommunications and medical equipment and on Japan's insurance market, agreement has been close since last February's Washington summit, when Mr Clinton and Prime Minister Morihiro Hosokawa failed to reach a compromise and the markets reacted violently.

There is also hope for agreement on flat glass, a dispute added to the agenda along the way. Japan flew a special negotiator in to work on glass last week, and US officials on Friday gave the Japanese negotiators a proposed draft text to be studied over the weekend.

A stumbling block remains in talks covering vehicles and parts. Even though the sector comprises some 60 per cent of the \$30bn (\$38bn) US trade deficit with Japan, the urgency for its resolution has abated. All US car companies are enjoying

healthy sales and profits. Exports to Japan are rising rapidly, though starting from a minuscule base. The concern now is vehicle parts, which involves more companies, many of them hit hard by competition from Japanese transplants. US car makers have been lobbying for a tough line, in anticipation of pressure from Wall Street for a deal at any cost.

Although these "results-oriented" trade talks were supposed to show a sharp departure from past efforts to open the Japanese market and sound a tougher note, the similarities are more apparent than the differences, said Mr Fred Bergsten, head of the Institute

for International Economics and one of the trade specialists the Clinton administration is consulting as the talks progress. The talks, moving product-by-product, represent "a hard slog to unearth and deal with specific Japanese practices" which discourage imports, Mr Bergsten said.

Although the US has sought benchmarks - "objective indicators" - to measure progress, it has from the first insisted that failing to meet those targets would not subject Japan to trade retaliation.

In the flat glass talks, for example, foreign glass manufacturers have for years sought to break into a market dominated by three Japanese producers, whose market share rarely varies and whose wholesalers are discouraged from buying imports by "strong-armed pressure tactics", according to the US industry.

Mr Steve Farrar, director of international business for Guardian Glass, said the US companies were looking for assurances that the links between suppliers and wholesalers would be broken. "We are working to get public statements from the wholesalers and manufacturers and a commitment from the ministry of trade and industry that they will monitor the implementation of these statements," he said.

By September 30, the US administration must also decide whether to cite Japan and others for trade practices which raise barriers to exports. Mr Bergsten is counselling against such a move now that strong multilateral trade rules agreed in the Uruguay Round offer a viable alternative to unilateral action.

## US court reverses ban on nuclear waste ship

By George Graham in Washington

A potentially embarrassing setback for US nuclear non-proliferation policy was averted late on Friday when a federal appeals court reversed a lower court's injunction blocking the arrival in South Carolina of a shipment of spent nuclear fuel from European research reactors.

The earlier injunction, issued after a Danish freighter had set sail carrying casks of highly enriched uranium from research reactors in Denmark and Sweden, had prompted some nuclear proliferation experts to raise the spectre of a radioactive flying Dutchman, barred from docking at its intended destination but for-

bidden also to return to its home port.

The injunction had also jeopardised the US's credibility in the Geneva negotiations over the extension of the Nuclear Non-Proliferation Treaty, because it was seen by some countries as further evidence of the US's inability to live up to its side of the bargain implicit in the treaty.

The spent fuel, which is much closer to bomb-grade uranium than the less enriched fuel used in power generation reactors, and therefore much more of a proliferation threat, is the product of the US's 30-year-old off-site fuel programme.

Under this programme, the US agreed to accept spent fuel from participating foreign reac-

tor plants. In return, they committed themselves to switch to less dangerous low enriched fuel.

This shipment is part of an emergency programme to relieve the urgent storage problems experienced by some research reactors as a result of the US's five-year suspension of the programme.

The US is now working on an environmental impact statement to allow the programme to be fully restored.

However, the Department of Energy is still a long way from settling on a long-term solution to the problem of storing spent nuclear fuel, including the much larger quantities of less enriched but still highly radioactive waste from US commercial reactors.



A picture of Chinese leader Deng Xiaoping looms over passers-by in Beijing ahead of National Day celebrations on October 1.

## Asean members in dispute over free trade zone plan

By William Barnes in Chiang Mai, Thailand

The six members of the Association of South-east Asian Nations are in unusual disarray over a proposal to turn the Asia-Pacific Economic Co-operation group into a free trade zone by the year 2020.

The Asean members had hoped to form a united core within Apec, but that received a setback at the weekend when their trade ministers admitted they might not be able to agree on a common response to the free trade proposal, which could figure prominently in next month's Apec summit in Jakarta.

Mr Ryutaro Hashimoto, Japan's minister for international trade and industry, undercuts Asean reservations when he told Asean economic ministers meeting in Chiang Mai that "basically we are able to accept" the free trade proposal by the so-called Eminent Persons Group of business people and academics.

Asean ministers were forced to try to smooth over their differences at a late-night press

conference on Friday. The reference in the original draft of the press statement that the ministers discussed the free trade report "at length" was deleted in the final press release.

Thailand - like many Asian countries that have enjoyed relatively easy access to the important US market - now fears that Washington will use the proposal to open up Thailand's own increasingly important domestic market.

A senior Thai government official said Asean would need to examine "the hidden agenda" inside the conditions tied to 2020. Malaysia, which has long rallied against western domination of international trade, led calls for the report to be shelved.

"The report is a good reference... but we cannot subscribe to very long-term visions," said Malaysia's trade and industry minister Rafidah Aziz. However, Mr Yeo Cheow Tong, Singapore's trade and industry minister, said "it is important for every organisation to have a vision of where you want to go and where you want to be ultimately."

And the Indonesian government argued that "Asean is now strong enough to face any liberalisation in this region. The problem is simply how do you join this [free trade] bandwagon."

● Economic growth in Thailand is expected to accelerate this year and next, but the government needs to tackle problems such as inadequate infrastructure and shortages of skilled labour to ensure sustainable growth in the future, the Thai planning agency said at the weekend. Victor Mallet reports from Bangkok.

The state-run National Economic and Social Development Board (NESDB) predicted that real gross domestic product would grow 8.4 per cent this year and 8.5 per cent in 1995, compared with 7.6 per cent in 1992 and 8.1 per cent in 1993.

Inflation is expected to rise to 5 per cent this year from 3.3 per cent in 1993, but will probably drop slightly in 1995. Exports should rise 16.1 per cent this year to Bt1,070bn (£29bn) and imports increase by 15 per cent to Bt1,315bn.

## New Mexican regime to follow old economic programme

The incoming Mexican government headed by Mr Ernesto Zedillo plans to follow a conservative economic programme next year, to reduce inflation to 4 per cent by maintaining the present exchange rate policy and running a balanced budget.

The economic strategy was announced over the weekend as the current government renewed the annual pact with business and labour unions that sets economic policy for the next calendar year. The pact was drawn up after long consultations with Mr Zedillo's campaign team, who say they are in full agreement with the accord, and intend to comply with it.

Uncertainty over renewal of the pact had led to recent volatility in Mexico's

Zedillo will honour pact with business and labour, writes Damian Fraser

money and foreign exchange markets, with speculation that Mr Zedillo's administration would push for a more expansive fiscal policy and faster depreciation of the currency against the dollar from the current rate of 5 per cent a year, to boost economic growth. Until rumours of the pact renewal reached the market on Friday, the peso was trading at 3.40 to the US dollar, the top of its permitted band.

"The signal of all this is that stability won," said a senior government official involved in negotiations over the pact. Mr Zedillo, a former central banker known for

his aversion to fiscal deficits, formally takes office on December 1, when he will have the opportunity to put some finishing touches to the plan.

The agreement was signed by the newly independent central bank, whose credit operations will be directed to achieving the inflation target of 4 per cent next year. An official said the central bank's pledge, which could lead to higher interest rates if inflation did not fall from current level of about 7 per cent, was the "anchor" of the programme.

The Finance Ministry predicted that economic growth would rise to 3.6 per cent in the second half of this year, industrial sector growth to 4.9 per cent, and fixed gross investment by about 8 per cent. The unexpectedly strong economic recovery influenced the decision to push for stability rather than economic growth, according to officials. The pact aims for economic growth of about 4 per cent for next year.

The pact allows for an increase in the minimum wage of 4 per cent plus the average productivity growth in the econ-

omy. The lowest-paid workers will have their take-home pay boosted by another 3 per cent. About 7 per cent of Mexican workers earn the minimum wage, although the salary is used to set prices and wages for other better-paid workers.

Unions agreed - under some pressure - to limit contractual wage increases to 4 per cent plus bonuses based on productivity increases achieved at the plant level. With inflation this year expected to be close to 7 per cent, and many sceptical that the government will meet its 4 per cent inflation target, some union represen-

tatives complained their workers would be taking real wage cuts.

The plan also provides for some modest measures to stimulate investment, as Mr Zedillo had promised on the campaign trail. The measures include: a reduction in the tax on assets for unprofitable companies from 2 to 1.8 per cent; a four-year exemption from the tax for new investments; a faster depreciation allowance for investment in training and anti-pollution equipment; and an increase in the number of companies that can pay taxes on a quarterly basis. In addition, the incoming government promised to put money raised from future privatisations into a special fund to stimulate private infrastructure spending.



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FT Surveys



# Leftwing threat to Blair's taxation plans

By Kevin Brown

Labour leftwingers yesterday threatened to disrupt Mr Tony Blair's leadership honeymoon at next week's annual conference unless he drops plans to rule out higher taxes.

As taxation emerged as a key conference issue for both main parties, rightwing Tories also signalled plans to demand tax cuts at the Conservative conference in the following week.

Conservative strategists also

expect a rightwing revolt over law and order, although Mr Michael Howard, home secretary, is expected to survive calls for his resignation.

Labour officials say that Mr Blair and Mr Gordon Brown, the opposition chancellor, will "dash out" a fresh approach to taxation at an economic conference in London tomorrow.

Mr Blair will confirm that Labour has no plans for higher taxation, except for the very rich, who are believed to have

benefited unfairly under the Conservatives.

Labour strategists believe the party's "tax and spend" image must be scrapped if it is to establish credibility among middle class voters.

However, leftwingers said taxation would be at the top of a list of issues on which the leadership will be challenged, including minimum wages and the role of trade unions.

"I think there will be a row about what Blair has been say-

ing on taxation," said a prominent member of the Campaign group of Labour MPs.

"There is widespread concern that if he is going down that road, there will be health and welfare, and that is unacceptable."

Opposition ministers say the revolt will be contained by stressing Labour's plans to reduce taxation of the lower paid and cut out "wasteful" spending on unemployment.

"I don't think there will be much trouble," one opposition minister said. "People were critical about Tony Blair's decision to attack the Tories on law and order because it was seen as their natural territory, but there is now almost complete agreement that he was right."

Labour leaders believe that the party has been adequately prepared for a shift to low taxation since the last election, which many believe turned on

Labour's plans to raise taxes.

Mr Kenneth Clarke, the chancellor of the exchequer, sought to head off rightwing Tory demands for early tax cuts by insisting that the government could win the next general election only through fiscal prudence.

He said on BBC Television: "When we cut taxes is going to be determined by when public spending is so controlled and public borrowing is so reduced that we can afford it."

## Britain in brief



### Swans starts shipbuilding asset disposal

The first shipbuilding-related asset of Swan Hunter, the Tyneside shipbuilder facing closure, to be sold by receivers Price Waterhouse has been bought by a German shipbuilder. The intellectual property rights of Swan Hunter Singapore have been acquired by Larsen for \$3200,000, around US\$158,000.

Joint receiver Mr Gordon Horsfield said the Singapore IPR package was the result of a "tidying up", to split the intellectual property assets of Swan Hunter from its Singapore subsidiary. Swan Hunter's main IPR package has already attracted bidders, believed to include Larsen.

UK-based rival Vosper Thornycroft.

Priority status for the 550-mile West Coast route between London and Glasgow would make it eligible for help with feasibility studies and other EU funding.

### Defence workers to lobby Tories

A three-month campaign by unions over the latest round of defence cuts will culminate next month when dockyard and naval-base workers lobby the Conservative party conference. This will be followed on October 17 by lobbying of the House of Commons, when it is due to debate the cuts.

The campaign started in July after Mr Ministers Rifkind, defence secretary, announced savings of £750m a year with the loss of 18,000 jobs, including 7,000 civilian posts.

### BR closes European freight service

British Rail has closed a subsidiary set up to provide a container service to continental Europe because it failed to find a buyer in the private sector.

Haulmark European Transport was established two years ago to provide a door-to-door service between European destinations. Containers were shipped by road to a rail terminal or port and continued by ferry or through the Channel tunnel. The company was put up for sale in March.

### Late attempt for EU backing on rail link

The British government has launched a belated attempt to obtain priority status for a flagship rail project from the European Union. Its initial failure to seek a priority listing for the £500m West Coast rail link on the EU's programme of trans-European networks could

## Peacekeeping top of agenda for Yeltsin and Major

By Dmitry Volkov and Anthony Robinson

Mr John Major, the prime minister, and President Boris Yeltsin of Russia yesterday reviewed a range of peacekeeping operations, with particular emphasis on Bosnia, during the final day of the president's visit.

Russia has aligned with the UK and other European countries in trying to dissuade the US from seeking to lift the UN arms embargo and increase the flow of arms to the Bosnian Muslims.

Mr Yeltsin described the visit as a weekend of "useful and enjoyable" talks at the

prime minister's country retreat. The leaders also discussed the Queen's state visit to Russia next month.

Mr Douglas Hurd, Britain's foreign secretary, held discussions with Mr Andrei Kozyrev, the Russian foreign minister, who is accompanying the president on his visit to the UN today.

Today Mr Michael Heseltine, trade and industry secretary, will discuss prospects for greater trade and investment in the oil industry and other areas when he meets his Russian counterpart, Mr Alexander Shokin, the deputy prime minister in charge of international economic affairs.

## Komatsu makes it to a milestone

By Chris Tighe

Komatsu UK, the hydraulic excavator manufacturer, passes a milestone today when it hands over the 10,000th machine from its factory at Birtley in north-east England.

The years since 1985 when the plant was taken over by Komatsu of Japan, the world's second biggest producer of construction equipment, have not been easy. After initial rapid growth, Komatsu UK's production fell from a 1989 peak of 1,900 units to 1,200 in 1992, because of a big slump in the UK construction industry.

In spite of two rounds of job losses, which cut employee numbers from 430 to 350, the Japanese parent remained committed to Birtley and continued an £8m investment programme.

Nearly three years later, Komatsu UK is benefiting from a sharp rise in the UK and US

markets - counterbalanced by a downturn in Germany, its main export market.

It is also fighting increased competition from imported and UK-made equipment, but is maintaining a 20 per cent share of the UK market, where it sells a fifth of its output. The rest is exported to continental Europe and Scandinavia.

"It seems like we're running very hard to stand still," says Mr Keith Tipping, Komatsu's managing director. "We think it's going in the right direction," he adds.

This year has seen important advances which could help iron out future troughs. For the first time, Birtley has exported to the US, with sales of tracked excavators and machine arms worth £4m.

A new wheeled excavator, the second model designed entirely at Birtley, will be launched soon. Until now the site's designs have been solely



for Europe, but an excavator it is designing now is for the world market. It hopes also to manufacture the model.

The plant's turnover this year should be about £78m and it is likely to produce about 1,300 excavators.

This is less than 60 per cent of its 2,400 unit capacity but the likely target for 1995 is 1,500. It has also begun manufacturing bodies for Japanese-made Komatsu dump trucks and a range of excavator attachments.

## CONFERENCES & EXHIBITIONS

**SEPTEMBER 29**  
**South Africa**  
A Cityforum conference featuring Chris Saks, Sir Evelyn de Rothschild, Mr Alec Erlwin, Robert Goy, Basil Horro, Gary Maude, M J Lovett, Sponsors: South Africa Foundation, Rothschild/Smith New Court, Clifford Chance, Coopers & Lybrand, Old Mutual. Information from Cityforum Tel: 0225 466744 Fax: 0225 442903

**OCTOBER 3-4**  
**Global Emerging Markets '94**  
Is a rising investment conference which features the top developing countries for mineral investment and the companies operating in those countries. Sponsors include Mining Journal, BHP, Cambior, Minerales, International Mining, Metall Mining, Nightingale, plus more. For registration phone 305-670-1963 or fax (305) 670-0971

**OCTOBER 4**  
**Managing a Growing Business**  
It is not managed effectively, growth can lead to difficulties in such areas as cashflow forecasting, pricing policy, asset management, appropriate financial structure and systems, and tax planning. This one-day conference, in association with TSB Commercial Finance, will help entrepreneurs examine some of the techniques in managing their key areas as their business grows. Contact: TSB Commercial Finance Tel: 071 731 0022

**OCTOBER 4-5**  
**Exhibition of Indian Industry**  
Confederation of Indian Industry and Indian High Commission, London, present first ever catalogue exhibition of Indian industry. Sectors: electronics, construction, electrical, automotive, power, chemical, software, consumer durables. Venue: London Chamber of Commerce, 33 Queen Street, London EC4R 1AP. Entry free. Visit between 10.00hrs - 18.00hrs Tel: 071 536 4121

**OCTOBER 6**  
**Commonwealth Asia: Regional & International Relations**  
Commonwealth Institute, Kensington High Street, London W8 7NN. This symposium will examine the economic and diplomatic issues between the Commonwealth Asian countries with the aim of identifying areas of mutual concern and encouraging further collaboration. For further details please call 071 603 4535

**OCTOBER 6**  
**BRAZIL '95: Business Opportunities in an Environment of Economic Stabilisation**  
The CAZETA MERCANTIL/BAZCO DO BRASIL seminar, will analyse Brazilian economic prospects following the stabilisation program - Plano Real. Chaired by the Brazilian Ambassador, featuring high level speakers. The event will be followed by cocktails in celebration of the opening of RIT Securities Ltd. Contact: Mr. Cleide da Silva, Tel: 071 216 4200 Fax: 071 216 4206

**OCTOBER 11**  
**Measuring the value of I.T. Investments**  
This conference discusses how to assess the value of I.T. projects and prioritise I.T. investment successfully. It presents guidance from leading academics and consultants, as well as insights from the experience of major organisations, in both the private and public sector. Contact: Business Intelligence Tel: 081 543 6565 Fax: 081 544 9020

**OCTOBER 11**  
**Winning with Your Customers - How to Evaluate Your Customers' Business Potential**  
This conference will provide an in-depth appreciation of the strategic importance of customer care and service in the 1990s. It will address key issues at the relate to business-to-business customers as well as the consumer of consumer services and products. Case studies from Marks and Spencer, Cadbury Schweppes and B&W Tattersall. Contact: Conference Tel: 071 730 0022

**OCTOBER 11 & 12**  
**Money Laundering - The Way Forward Through International Co-operation**  
Addresses the implications for international finance, the impact of the FATF regulations and the possible threat from Eastern Europe. Practical examples and case studies from an international panel. Additional 1/2 day workshop - Fraud & Asset Recovery. Contact: Mary Shaw, International Conference Group Tel: 44 (0)81 743 8787 Fax: 44 (0)81 740 1717

**OCTOBER 13**  
**China Investment, Patent & Trade Mark Conference**  
Held within framework of Industrial Property World Forum for China financed by EC. Topics include Economic Trade Relations between China and Europe, Patent & Trade Mark Protection, Industrial Property Law Enforcement, High level Chinese Delegation. Conference fee: £140 + VAT. INTERFORUM Tel: 44 (0) 71 386 9322 Fax: 44 (0) 71 381 8914

**OCTOBER 13 & 14**  
**The Management of Product Safety & Quality**  
Product Safety & Quality are the responsibility of everyone concerned in the production of goods. This seminar will provide opportunities to hear clear and practical explanations by leading experts. Further details from International Professional Conferences Ltd Tel: 061 445 8623

**OCTOBER 14**  
**Law on Insider Dealing**  
Seminar examining the impact of the new law and its likely interaction with other law. Developed jointly with Treasury Smith Barlow with key input from the Stock Exchange and compliance professionals. Contact: Ben Gub at Ciesselecence Business Training Tel: (0848) 325350 Fax: (0908) 220213

**OCTOBER 18**  
**Strategic Alliances & Joint Ventures**  
This conference is one of the Corporate Strategy Series organised by IBC Legal Studies and Services Limited. Key areas of discussion include: why joint venture? pre-alliance stages; law, tax and accounting considerations. Contact: Vicki Giffin, IBC Legal Studies and Services Limited Tel: 071 637 4383 Fax: 071 631 3214

**OCTOBER 19**  
**Small Business Bureau: Skill Will Win**  
Featuring a structured programme of speakers and advisers drawn from the financial, political and business sectors, this 18th national conference aims to offer practical advice and guidance for all small business. Speakers include: Michael Holliman, John Redwood, an advisory panel from the Midlands Bank, Mike Swallow and Lord Archer. Contact: Aled Cleverly DBE Tel: 0226 453010 Fax: 0226 451602

**OCTOBER 18**  
**Acquisitions**  
This conference examines the principles involved in making successful acquisitions. Topics include: Why acquire? Pre-deal stages; conducting an effective due diligence; Anti-trust issues; Public bids; Private bids; Compelling watertight legal documentation; Minimising tax liability and; New Accounting Standards. Contact: Julia Dopheide, IBC Legal Studies and Services Limited Tel: 071 637 4383 Fax: 071 631 3214

**OCTOBER 20**  
**Company Investor Show**  
The annual investment event for quoted "smaller" companies and the fund managers, analysts, brokers and other professional investors who follow this sector. Further information: Investor Financial Tel: 071 236 5364 Fax: 071 638 3365

**OCTOBER 24**  
**Social Justice Commission Report**  
The final report of the Commission on Social Justice. Hosting, employment, personal finance and government policy examined. Sir Gordon Borrie, Tony Blair MP, Ben Campbell, Christopher Haskins, Patricia Lewis, Shona McDonald, John Mooka, Neil Stewart Associates Tel: 071 976 0682

**OCTOBER 24**  
**The Information Superhighway**  
A conference to examine and highlight the challenges and applications in commerce and the public sector of the new telecommunications technology, and to examine Government policies to face these challenges. Government Minister and Larry Irvine, USA Secretary of Commerce. Contact: Neil Stewart Associates Tel: 071 976 0682

**OCTOBER 24-25**  
**International Polypropylene Conference**  
The Institute of Materials has organised this important conference to bring the best speakers in the polypropylene industry together to help catalyse the recovery in the business. Contact: The Institute of Materials Tel: 071 839 4071 Fax: 071 833 1638

**OCTOBER 25 & 26**  
**The Third Age of Media**  
The changing face of media: a media opportunities in the 90s. A joint conference organised by Age Concern England and The Henley Centre, this two day event is a comprehensive introduction to the exciting world of mature marketing and media. Contact: 0730 + VAT Contact: Adam Harman at The Henley Centre Tel: 071 353 9961

**OCTOBER 26 - 27**  
**BPR 94: Re-engineering, Process Management and Performance Improvement**  
Europe's leading conference and exhibition devoted to exploring how to apply business re-engineering strategies to achieve quantum leaps in corporate performance. Designed to meet the needs of your whole re-engineering team, from executive sponsor to those involved in planning and implementing projects. Contact: Business Intelligence Tel: 081 543 6565 Fax: 081 544 9020

**OCTOBER 26 & 27**  
**How to Grow your Business Using Market Research**  
Information is becoming fundamental in the running of a business through the use of technology. This two day seminar will show you how to get the best out of research and the real reasons for using it. Contact: International Professional Conferences Ltd Tel: 061 445 8623

**OCTOBER 27**  
**Optimum Tax Structure for Property Transactions and Tax Planning for Development Agreements and Commercial Leases**  
Specialist conference developed by Patrick Soames, Barrister, in bringing practitioners fully up to date with the taxation changes which are found in property development agreements and commercial leases. Contact: Evie Kinane, IBC Legal Studies and Services Limited Tel: 071 637 4383

**OCTOBER 27**  
**International Tax Conference - Managing Global Expansion**  
Conference on the tax issues facing multinational firms in the emerging global scene. Price: £200.00 plus VAT Contact: Michelle Beant, Ernst & Young Tel: 071 931 2297 Fax: 071 242 5862

**OCTOBER 28**  
**Marketing Expenditure - Cost or Investment?**  
As boardrooms everywhere question the value of marketing, this conference brings together experienced, senior speakers including Advertising Management College, McKinney, BCG, Credit Suisse, Interbrand, Whitbread and others to discuss marketing as a driver of financial performance. Call for more details. Tel: 071 434 3711

**OCTOBER 30 - NOVEMBER 1**  
**Living with Technology**  
Road Transport & Road Transport Engineering. An important opportunity for all professionals involved in design, operation and maintenance of cars, trucks and buses to assess existing challenges and developments. This two track conference with 30 international speakers will provide an in-depth focus for strategic and practical decision making. Contact: Peter Edmonds, Institute of Road Transport Engineers Tel: 071 630 1111 Fax: 071 630 6777

**OCTOBER 31**  
**Manufacturing Matters**  
The National Tax Budget Conference on manufacturing. A working conference on manufacturing industrial strategy and fiscal policy. Pre Budget outlook from leading commentators. Contact: Neil Stewart Associates Tel: 071 976 0682

**NOVEMBER 1**  
**VAT for Property Transactions**  
Tax expert, Patrick Soames, Barrister and special guest, Peter Tiverton from HM Customs and Excise will update practitioners on the essential aspects of law, VAT Tribunal decisions and regulations and the important issue of Customs practice. Contact: Evie Kinane, IBC Legal Studies and Services Limited Tel: 071 637 4383

**3 NOVEMBER 1994**  
**The 1st Annual Review of IT Law**  
This prestigious one day conference will have the leading speakers, cover the critical issues, the essential developments, law, litigation, regulation and policy. It will have a practical approach for practitioners by practitioners. Further details from International Professional Conferences Ltd Tel: 061 445 8623

**NOVEMBER 7**  
**Beyond 'What If' - Management Solutions in Spreadsheets**  
Management science techniques to aid planning. Forecasting - no predictive future business conditions. Decision Analysis - to assess the impact of uncertainty. Markov Chains - to analyse changing market behaviour. Optimisation - to maximise profit or minimise cost. Contact: Unicom Seminars Tel: 0895 256484 Fax: 0895 813095

**NOVEMBER 8-9**  
**DRM/McGraw-Hill's World Cars and Trucks conferences**  
bringing together OR's latest authoritative forecasts with key outside speakers to address the issues of the current cycle in the automotive industry and to anticipate the critical questions to be faced in the next five years. Contact: Corinne Redmond Tel: 081 545 6212 Fax: 081 545 6348

**NOVEMBER 9-8**  
**Quantitative and Computational Finance**  
Two day seminar hosted by the US Embassy. US and UK experts and practitioners review a range of novel quantitative models applied to the finance and securities industries. Derivatives, options, yield curves, futures, failure and experience will be discussed. Contact: Unicom Seminars Tel: 0895 256484 Fax: 0895 813095

**NOVEMBER 9**  
**Presentations for Professionals by Professionals**  
At the Mermaid Theatre, a seminar on creating effective presentations and the presentation techniques and use of language, to AV design, slide production, etc. Businessmen, stand-up comedians and others demonstrate how to make lasting impressions. Instructional, utterly enjoyable - a must for all presenters. Contact: Alan Dibbo, Chartered Institute of Marketing Tel: 071 535 4468 Fax: 071 535 4468

**NOVEMBER 8**  
**'Visions of Gold'**  
Conference celebrating the Modern Olympic Games and the part NVQs and skill competitions have to play in them. Speakers include: Duncan Goodhew, Mike Morris, Bill Jordan, Fran Leith. Sponsored by Employment Department. Contact: Hilary Jennings, UK Skills Tel: 071 753 5222 Fax: 071 436 7630 or Claire Armstrong, National Council of Industry Training, London Tel: 0763 247285 Fax: 0763 247302

**NOVEMBER 14**  
**Taxation of Financial Instruments for Managing Interest Rates & Currency Risks**  
Topics at this conference include: the world-leading productivity improvement techniques, in a real factory. Free video and copy of FT article also available. Contact: Woodwick, Kaldor & Partners Tel: 071 713 0407 Fax: 071 713 0403

**NOVEMBER 15**  
**Winning with Your Customers - How to Grow Your Customer Base**  
Speakers will stress the importance and inter-relationship of key elements of the new regime: traditional rules, regulatory, anti-monopolistic practices, rules and marketing strategy. Contact: Vicki Giffin, IBC Legal Studies and Services Limited Tel: 071 637 4383 Fax: 071 631 3214

**NOVEMBER 15-18**  
**Financial Performance Measurement**  
Transforming corporate performance by measuring and managing the drivers of future profitability. This two-day conference explores the relevance and practicality of developing new corporate dashboards, which include financial indicators, such as customer satisfaction, quality and benchmarking. Contact: Unicom Seminars Tel: 081 543 6565 Fax: 081 544 9020

**NOVEMBER 17 & 18**  
**Advanced Gann and Elliott Technical Analysis Seminar**  
Sponsored by Trading Techniques Inc., the developers of G.E.T. (Gann Elliott Trader). The first and only company to provide completely accurate and objective Elliott Wave. For brochure telephone Graham Byers - 0732 368566

**NOVEMBER 21-22**  
**Business Process Re-engineering (BPR)**  
Continuing series of seminars for managers charged with designing and implementing BPR initiatives. Presented by leading US practitioners and BPR authors. Proven how-to-do-it implementation guide illustrated with case studies and workshops. Course book also available. Over 50 organisations in the private & public sector have already attended. Contact: Richard Parry, Veritas Systems International Ltd Tel: 44 (0) 1453 602666 (24 hours) Fax: 44 (0) 1453 603021

**NOVEMBER 24-25**  
**Re-engineering Customer Proposition**  
CB/Dovefin & Partners conference, chaired by John Humphrys, shows how to transform key business processes to deliver cost efficiencies and market differentiation. (Optional workshop on second day). Contact: Richard Parry, Veritas Systems International Ltd Tel: 071 917 9988

**NOVEMBER 29-29**  
**Annual Company Secretaries Conference**  
The conference will discuss developments in the Corporate Governance, Benefits & Remuneration strategies, Pension Scheme Legislation and Company Law and how this would impact on the increasingly challenging and demanding role of the Company Secretary. Contact: Jonathan Greenhalgh, AIC Conference Tel: 071 535 4468 Fax: 071 535 4468

**NOVEMBER 29-30**  
**'How to Effectively Enter the Chinese Market'**  
Two-day seminar at the Sino-British Business and Trade Fair, Sino-British Trading prospects. Investment environment. Development of Chinese economy. Other topics include: technological links, finance, the textile industry and speeches by British Ambassador and Peking. Contact: Yao-Xiao Jie Tel: 0044 532 302768 Fax: 0044 532 307863

**NOVEMBER 29-30**  
**Managing Corporate Transformation**  
The UK's premier event on planning, implementing and sustaining organisational and cultural change. This two-day conference includes track discussion of why so many initiatives fail and explore proven methods for achieving critical buy-in and support for new organisational structures and working practices. Contact: Business Intelligence Tel: 081 543 6565 Fax: 081 544 9020

**NOVEMBER 29-30**  
**Accounting & Taxation for Derivatives**  
Strategies and actions for improving Building Society business performance. This conference is chaired by Russell Taylor, author of Private Banking Revolution, this international conference considers ways to meet client service requirements while maintaining profitability. Enquiries: The Event Organisation Company Tel: 44 (0) 171 226 8034 Fax: 44 (0) 171 226 8127

**NOVEMBER 29 & 30**  
**Data Warehousing: Practical Experience and Lessons for the Future**  
Building the smart corporation, driving effective business process reengineering projects, unlocking the most valuable of corporate assets. Learn how many of the world's most competitive corporate players have used the data warehouse concept to achieve a strategic corporate advantage. Contact: Unicom Seminars Tel: 0895 256484 Fax: 0895 813095

**DECEMBER 7-8**  
**Succeeding with Teams**  
practical strategies for designing, implementing and driving the team-based organisation. An innovative two-day conference specifically designed to help senior executives understand the fundamental issues involved in designing and implementing a team-based organisation. Contact: Unicom Seminars Tel: 081 543 6565 Fax: 081 544 9020

**DECEMBER 8-9**  
**Opportunities and Competition for Building Societies**  
Park Lane Hotel. Strategies and actions for improving Building Society business performance and market share. Presentations on general insurance, mortgages, value management, customer loyalty, database segmentation, distribution channels and intermediaries. Speakers are drawn from senior management of the Halifax, Alliance and Leicester, the Woolwich, Bradford & Bingley, Nationwide, Chelsea, Portsmouth and Leeds Paragon. Contact: Unicom Seminars Tel: 071 242 1548, AIC Conferences

**DECEMBER 14 - 15**  
**Occupational Pensions**  
Examination of the practical implications of changes in government policy. Each presentation will deal with what pension funds actually need to do, when they need to do it and how to minimise any cost. Whether a pension fund manager, trustee or professional adviser it is practical information that can be used from day one. Contact: Simon White, AIC Conferences Tel: 071 535 4468 Fax: 071 535 4468

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## MANAGEMENT

# Taming the beast of H Street

Last week Lewis Preston, president of the World Bank Group since 1991, dropped a little bombshell into the laps of his staff. Over the next three years, he proposed, the budget should be cut at an annual rate of some 6 per cent in real terms. Stringency has come to what its critics argue is a bloated and over-bureaucratic leviathan. First-class air travel has already gone. What might come next?

Preston's stringency is the latest element in a programme of internal management reform progressively introduced since his arrival three years ago. It goes well, for example, with dollar (or cash) budgeting, under which senior managers are being given sums with which to achieve agreed objectives.

The financial squeeze partly reflects Preston's appreciation of the chilly climate. Some shareholders, notably the US, believe the Bank should share the pain felt by public sectors everywhere. They note that between the financial years 1990 (July 1989 to June 1990) and 1995, staff costs of the Bank Group are expected to rise by 56 per cent to \$878.8m (\$556m), and overall costs to grow by 60 per cent to \$1,420.3m. Total administrative costs this year are larger than the gross domestic products of several of the Bank Group's clients, Mozambique being an example.

So large an increase in expenses seems surprising, since leading activities have stagnated for many years (see chart). Shahid Husain, the Bank's recently-appointed vice-president for management and personnel services, explains the rising costs by reference to three developments:

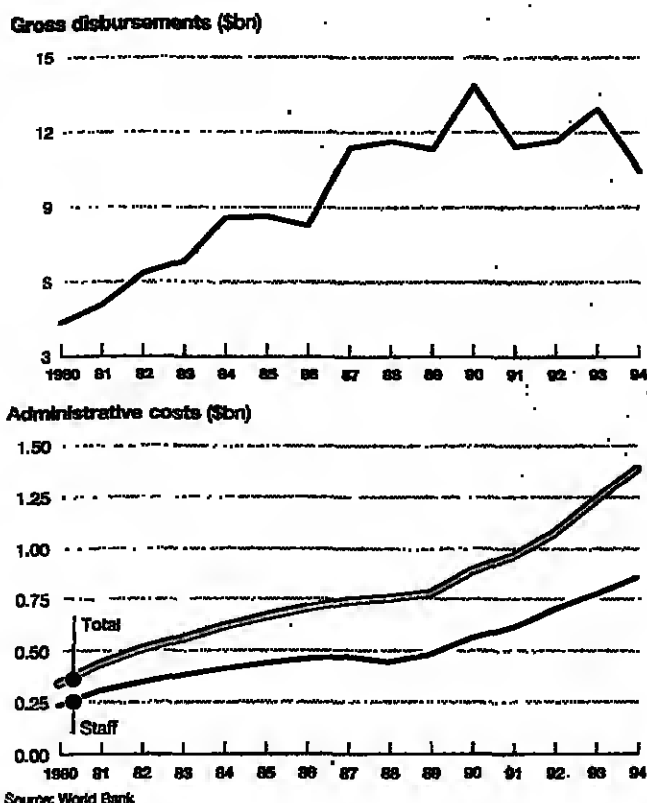
- hugely expanded work on eastern Europe and the former Soviet Union, little of which has as yet borne fruit in lending;
- expanded lending for the environment, which is relatively labour-intensive; and
- improved project implementation, following the Wapenans report on that topic.

These explanations provide a valuable reminder that the Bank's mission is not to transfer money at minimum cost. But the president obviously feels that things have gone too far, all the same. The question is how the proposed squeeze on costs fits into his attempt to remedy the failures of what he once judged among the most under-managed institutions he had encountered.

The Bank's problem is not financial. The equity (paid in capital, plus reserves) of the International Bank for Reconstruction and Development, the Bank's commercial lending arm, is \$26.6bn, on which shareholder governments demand no dividends. If the Bank were merely to earn a 5 per cent real return on its capital, it would be able to support the current level of administrative costs in perpetuity.

This huge subsidy must, however, be justified by performance. Here

Costs are being cut at a World Bank critics claim is bloated and bureaucratic. Martin Wolf reports



lies the Bank's challenge. "There has been a broad recognition, led by Preston, that an institution like the Bank cannot keep on expanding," says Husain. "There is also a consciousness that the Bank has to be managed. You don't simply manage loans and you don't simply manage economic and sector work. But you have to manage resources and people. Improvement in efficiency and reduction of costs have to become an integral part of the work of the Bank."

The task is made urgent by the criticism of the institution and by the rapidity with which the world continues to change. The Bank's main long-term mission is deemed to be the alleviation of poverty, above all in Africa and South Asia, along with environmentally sustainable development. But around this core the Bank must be "tremendously mobile", in Husain's words. Leviathan must learn to walk.

Before Preston's arrival, the Bank had suffered two traumatic re-organisations: one in 1973, the other in 1987. These focused on the Bank's structure, rather than on its processes and procedures.

Husain says: "We believe that large traumatic changes of the sort that took place in 1987 leave behind

so much debris that in the long run they are self-defeating. One disadvantage of such infrequent large changes is that people do not take change as a normal way of life. What we are trying to inculcate, however, is the idea that since the world around us is changing all the time, so must we."

The other disadvantage, alluded to by Husain, is the effect on staff morale. The World Bank employs highly qualified staff who believe in what the Bank does, but dislike the institution itself. This problem of poor morale was greatly exacerbated by the 1987 upheaval, in which staff were simply told to scramble for new jobs, as in a giant game of musical chairs.

When Preston came to the Bank he found an organisation still shattered by that event. This had reduced staff numbers by about 500 and created four large, self-contained regional offices. The cuts proved to be temporary. The number of regular staff, at 6,406 last June, can be compared with the 6,095 in June 1986, before reorganisation, and the 5,665 shortly afterwards.

The new structure coped quite



Lewis Preston: President

well with narrowly regional challenges, such as structural adjustment in Latin America and the growing involvement with China. But Husain argues that this decentralised Bank "could not serve us well in providing a centrally-driven response to changes in the international environment. For example, our work on the environment was slow to take off. Our work on Russia and eastern Europe also took time to take off. And above all we took a long time to recognise that the wind had changed and that our constituents both in the developed and developing countries expected much greater rigour in management and efficiency."

Preston's initial effort was to strengthen the centre, by creating a presidential office with three managing directors. He also established three new central units in the areas of sustainable development, human resources and promotion of the private sector.

A next stage was to strengthen the Bank's personnel and management function. Husain says that "in the course of the 1987 reorganisation there was an almost total demolition of the central management and personnel capacity. There was no unit that was concerned

with business processes... [there was] very poor capacity on organisational issues, poor capacity for recruitment for an institution which basically has only one asset, its people, and inadequate management of training and skills."

The main emphasis has been on changing processes, but changes in processes are expected to affect structure as well. This sequence - from process to structure, rather than the other way around - is novel for the Bank.

It is now looking at specific parts of its organisation, one after the other, asking first whether what is being done should be done, and second whether things should be done in the way they are being done.

So far, the spotlight has shone on the East Asian regional office and on the international economics department. Simultaneously, attention is being paid to the administrative apparatus and information management. Market-testing and contracting-out are among the buzz-words here.

The work has already been completed in one department of the East Asia region. Attention will soon be turned to South Asia and Latin America. Husain says: "We hope to complete all this work in

the next two years."

Husain gives a telling example of what is involved by pointing to the Bank's core function, lending for projects. "In our old procedure, project officers would first have preliminary ideas. They would write up these preliminary ideas, which would be reviewed within the division, with people in support departments, with the director and with the regional vice-president."

"The second step would be a final project summary, which would go through the same review process. In the meantime, much project preparation would take place. After this last review, a mission would be sent to appraise the project. The mission would come back and would prepare an issues memorandum. Again people would collect from around the Bank to look at those issues."

"Then the vice-president would give the go-ahead to write the appraisal report. Thereupon, there would be negotiations with the borrower. When the negotiations were completed, someone in the vice-president's office would look at the final negotiated project, which would be sent to the Board for approval."

"What we are doing in the case of East Asia is to have one simultaneous review at a very early stage. We are going to do pilot projects on that basis. The fundamental thesis is this: review things once; do things simultaneously; do them faster."

Husain admits that "this may all seem minor, but every year we approve 250 projects. At any time, the World Bank is working on 1,000 projects. It also spends massive amounts on economic and sector work. We believe it is through this detailed re-engineering that we will get to the issue of cost and efficiency. This will require delegation. It will involve a tremendous amount of effort in selection of people and in training. It will also require rationalisation of internal information and technology."

The Bank is, in short, trying to get things right first time. For what has effectively been a governmental bureaucracy, these are huge changes, with radical implications for delegation and training, and for the quality of the people doing the jobs, as opposed to those who manage the people who do the jobs.

These efforts at improved internal management do appear significant. But questions remain: over the effectiveness of the board, for example, particularly in supervising the Bank's management; and over the effects on the shaky morale and hunger for security of a staff whose opportunities elsewhere are limited both by their experience at the Bank and by the G4 visa for foreign members, which prevents them from staying in the US. Husain insists that forced redundancies should be unnecessary. Will that prove correct?

Yet there remains a bigger question. How does an organisation whose aims have included "institution-building" justify the delay in attending to itself? If the questions being asked now are the right ones, why were they never asked before? Senior managers seem convinced that they have to be answered decisively and effectively if the Bank is to enjoy a secure future. They may well be right. They must hope that they are not already too late.



## DESERT ISLAND MANAGER

Elizabeth Esteve-Coll

Elizabeth Esteve-Coll has been director of the Victoria and Albert, the UK's national arts and design museum, since 1988, where she has instituted wide management change. Before starting a career in librarianship and the arts, she sailed the world with her Spanish-born naval husband.

You're allowed one item of office equipment besides telephone and fax. I can't function without my Filofax - its popper keeps busting because it's so full.

How would you cope? Would you still try to run the V&A, or would you leave the answerphone on? I'm quite self-sufficient and practical. I would try to keep in touch, but I would probably settle down to wallowing in peace and quiet. I do ring in to the V&A nearly every day if I'm away, but I also realise that no one is indispensable.

You find a footprint in the sand: whose would you hope it was? Francois Mitterrand has an amazing record of achievement both in the arts and politics. As French president, he has focused on cultural monuments and services, for which he will be remembered. He is also a very charming man.

If you couldn't return, what would you regret? The V&A has 20% acres of roof. Each year we get a bit done, and I would like to have got that finished.

If you could retrieve one item from the V&A collections as your ship went down, what would it be? Although it is not the most transcendent or beautiful thing in the museum, I'd like to have the Great Bed of Ware. Said to have held 26 people, it could be bed, stilet, life raft and even wildlife sanctuary.

What would you miss most? I would miss staff and colleagues enormously - for their enthusiasm, passion and commitment. They are world experts and you learn something new every day.

You can take a film, a book and some music. I'd take one of those wonderful multi-episode films. I love Marcel Marceau's work - his early *Martin* and *Fanny* are favourites - or I would take *Jewel in the Crown*, as I love India. At last I would have time to finish reading *A Suitable Boy* by Vikram Seth, and I would want to listen to a Gregorian chant - the Santo Domingo De Silos recording.

What food would you like? Vast quantities of salad and very good oil, Spanish or Italian.

How would you get about? On a fast, slow Dales pony. We could amble about the island, and I would get a good view as well as having a companion.

What scheme would you spend your enforced leisure on? I could spend the time having great thoughts about French Renaissance sculpture, hypothesising on how the sculptures came to be where they are and who made them. I would sneak along my many photographs of sculptures, and papers on the subject.

Harriet Arnold

## Dress codes and how to wear them

Lord Hanson does not like to see a speck of dandruff on the shoulders of his colleagues. At the first sign of a receding hairline or bulging midriff he sends them off to the in-house trichologist or to the doctor to have their cholesterol levels assessed.

This is one of the more interesting revelations in a new book about him by journalists Alex Brummer and Roger Cowe. On the face of it, Lord Hanson's feelings about dandruff do not matter one way or another. But what is shocking in these post-paternalist times is a boss who involves himself personally in the appearance of his staff.

On closer inspection, however, Hanson may just be doing what other companies do less explicitly. Most employers do not have such meticulous standards, yet they do have a dress code that communicates itself informally. Last week Linklaters & Paines made the headlines for withdrawing its ban on trousers for its women solicitors.

This was only remarkable in that the rules are laid down; in other firms women - and men for that matter - learn what to wear by looking at their colleagues.

I remember being outraged when a superior at my first employer, Morgan Guaranty, took me aside for a word about my appearance. I should blow-dry my hair, wear some make-up and buy one of those nice Brooks Brothers navy blue suits, she advised. At the time I took this pep-talk as evidence that I was working for an uptight American company set on crushing the individuality of its employees. What I failed to see was that to disregard a company's uniform is on a par with not getting to work on time.

There is nothing wrong with companies taking an interest in their workers' wardrobes. After all, their staff are an important part of the corporate image they are trying so desperately to project. However, it is better for companies to take a lesson from Hanson and Linklaters and be as clear about the uniform

### LUCY KELLAWAY



as possible. A visit to the trichologist or to Brooks Brothers today is better than a missed promotion tomorrow.

Still on the subject of clothes, did you know that 90 per cent of British blue-collar workers say there is nothing worse than having to wear a pair of dirty overalls? I know this because I have just received a press release from the Liverpool Business School telling me so. Yet I am puzzled. Why are MBAs researching this sort of thing? On second glance it all becomes clear: the sponsor for

this "research" was Johnson Group Cleaners.

This sort of pseudo-scientific survey is little more than a (poorly) disguised means of advertising. Every week a fresh bundle lands in my in-tray, each with an arresting "fact" written across the top and a giveaway sponsor's name across the bottom. Among the latest batch is one from a firm of caterers claiming that 90 per cent of office workers think morale would be transformed by a good staff canteen. Another shows that 83 per cent of secretaries are bored rigid at work - this from a company that runs secretarial training courses. My favourite is a

survey that shows headhunters are more widely used and give more satisfaction to their clients than management consultants, accountants and most other advisers you can think of. No prizes for guessing which profession conducted that survey.

Opinion polls are suspect at the best of times. But those that set out to prove an often tenuous point are so obviously partial, it is surprising that companies are optimistic enough to embark on them and that recipients are naive enough to believe them.

Since I wrote about the tedious management books that sit unread on shelves, I have received a copy of an Institute of Management survey that puts managers' disregard of books in context. Less than 5 per cent of CEOs think management books are a valuable source of ideas, although consultants, the media, their customers or competi-

tors are also given bottom marks for inspiration. When CEOs want ideas it seems they depend on managers in their own company, peers and even junior staff.

I was just getting excited about these findings, and the accompanying warning that British bosses are urgently in need of external advice, when I saw that the survey had been sponsored by Mitchell Phoenix, a consultant specialising in developing chief executives.

In response to that article, I have also received enough management books to fill a library from authors and publishers protesting that theirs are anything but dull. Having flipped through some of these I do not feel repentant, although I have learnt that the verb "to manage" comes from a French root referring to dressage exercises for horses. The dictionary says that this use is obsolete, though I wonder if traces of it still remain at Hanson.

If you were reading this in our new Club Euro

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## ARCHITECTURE

## The tyranny of the few

Colin Amery attacks the fashion for architectural contests

Forget any idea you might have had that architecture is something that concerns people other than just architects. Just as you thought that the tyranny of the few was being seriously challenged by the thinking majority, something happens that forces you to think again. Any hope that the commonsense views of the users of buildings were beginning to have an effect on decision-makers is once again seen as an illusion.

The recently-announced result of the competition to find an architect for a new Welsh Opera House in Cardiff

is a temporary victory for a minority of once-fashionable arbiters of taste. The selection of the architect Zaha Hadid by, in my opinion, a misguided jury shows that the relentless promotion of once-fashionable ideas continues apace.

Hadid is an archetypal member of that small group of international architects who perform, largely for each other, as a kind of travelling circus. The values they represent have little to do with local context, or practicality.

For a long time they have been playing the part of a faded *avant garde* with an attitude that is supposed to make

anyone who has different views look reactionary. The truth is that Hadid and her friends are now the reactionaries, representing the kind of absurd architectural arrogance that the public has long learned to distrust.

Her work - it goes without saying that there are practically no built examples - is a late derivative of early 20th century Russian Constructivism. Her design for the Opera House in Cardiff might have been impressive as a student copy of a Constructivist painting, but as a building it has no reality.

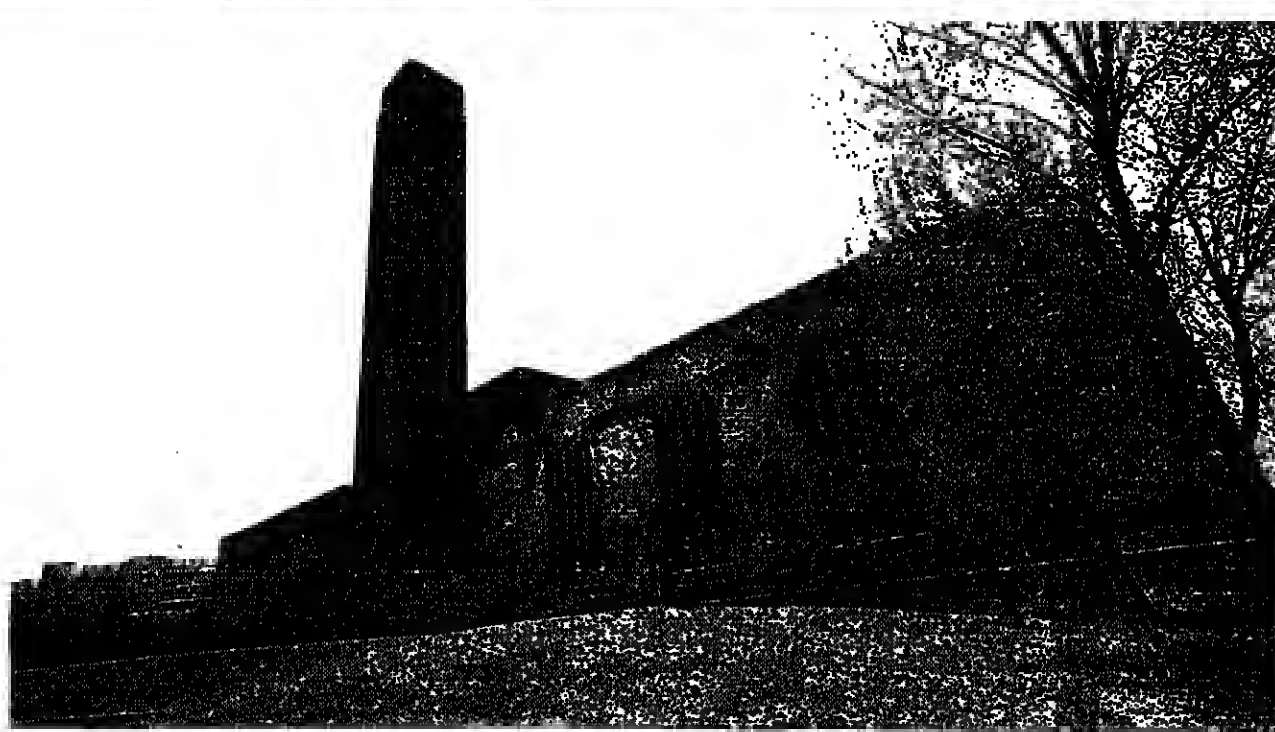
Her sources appear to be

two-dimensional, and one can only hope that this Cardiff Opera House remains that way. There is only a slim chance that it will be built. It is only one among countless bidders for cash hand-outs from Britain's soon-to-be-launched national lottery. As a result, it is highly probable that Hadid's "winning" entry will join the body of her unbuilt work.

Her passing victory is itself a warning of the dangers of the fashion for architectural competitions. As it happens, the public architectural competition is probably here to stay. Already our masters in Brussels have decreed that any public project with European funding has to be the subject of a competition.

There is also talk in the fetid corridors of Britain's own arts bureaucracy that lottery projects, including those to mark the millennium, will have to undergo the scrutiny of politically correct architectural juries. It will be jobs for the boys: fashionable friends of fashionable friends will dictate architectural taste and the man in the street, or the user of the building, is unlikely to get a look in.

There is real danger in this fashion for architectural competitions, because the winner is inevitably determined by the composition of the jury. The chance of a disinterested jury with adequate representation from people who are not architects is very slim. It is clear that architect-led juries



The risk attached to the Bankside adventure is that it will become a great unapproachable catalogue for contemporary art

attempt to baffle the layman with jargon and pseudo-science.

Juries are also much influenced by famous names and smooth talkers, and often do not spend much time looking at plans.

There is a tendency for juries to be beguiled by the professional's conceptual approach which they hope will somehow evolve into a good building.

It was inevitable that Sir Richard Rogers would win the chance to plan the revamping of the terrible South Bank London's ugly arts centre on the Thames. It was equally inevitable that he would attempt to seduce the jury with a lot of talk about creat-

ing a "people's palace". We have already seen his ideas for the Thames in an exhibition at the Royal Academy when a series of what looked like oil refineries appeared to have sprouted along the river's banks. His proposal to dress up the monsters on the South Bank in a limited high-tech wardrobe looks superficial and unlikely to win that desert many more friends.

One competition that particularly worries me is the one for the new Tate Gallery of contemporary art to be housed inside the shell of the old Bankside power station near London's Southwark Bridge. The names on the short-list are due to be announced today, but

the Tate's director, Nicholas Serota, has almost certainly chosen his favourite.

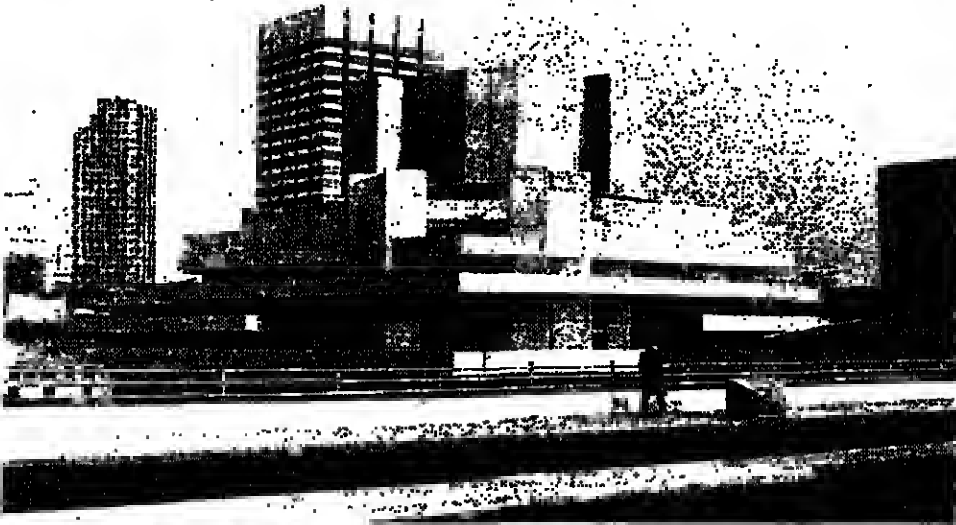
Serota is known for his severe taste and his penchant for what is internationally fashionable. He would like to see the austere Japanese architect Tadeo Ando bring his abstract concrete vision to London. The risk attached to the Bankside adventure is that the power station will become a great unapproachable catalogue for contemporary art.

Unless the planning brief for the architectural competition insists upon a friendly mix of uses for Bankside power station, it will become an isolated monument full of arcane and unapproachable art in a part of

London that is miles from its friends upstream at the Tate.

I have no idea how the inevitable committees that will dole out the money to be generated by Britain's national lottery are to be advised about architecture. Are they happy to leave crucial decisions to the same old architectural mafia which largely promotes its close friends? Will the users be listened to? Or the man in the street?

Judging from recent competition results, I believe that the time has come to realise that many winning schemes - which are often extremely expensive - are the architectural equivalent of the emperor's new clothes.



Inevitable that Sir Richard Rogers would win the chance to plan revamping of South Bank

## MEDIA FUTURES

## Heart of the next consumer electronics thrust

When Japan's leading electronics companies launch their consumer

video CD players in Tokyo next week, a small Silicon Valley semiconductor company will be cheering them on.

JVC, Matsushita, Sony, Sharp and Denon are all customers of C-Cube Microsystems, developer of the core digital compression technology for this new generation of home video players, which promises to make the video cassette (tape) as old hat as LP records.

C-Cube will supply a semiconductor chip that performs the critical task of decoding or decompressing the digital video data stored on a compact disc. Until now, such technology has been far more expensive or of lower performance than that of tapes.

The C-Cube chip "is the only extra logic device required to

Louise Kehoe reports on C-Cube, developer of the core technology for CD video players

transform an audio CD player into a video CD player," says Alexandre Balkanski, 34, who founded C-Cube six years ago. The incremental cost is only about \$50, he adds.

For the consumer electronics industry, the "PlayCD" chip presents an opportunity to revive sagging profits. It is 11 years since the introduction of the audio CD, the last product to create a consumer electronics "boom". Now the audio CD player market is heavily saturated and prices have declined to the point where profit margins are waning thin.

"With just a small increment in technology, they have a whole new product," says Balkanski. The Japanese companies are determined to make Video CD a success, he says,

predicting sales of at least 1m units in the first 12 months. "This is a red-hot product that will transform the home stereo into a multimedia entertainment system. This is the beginning of a whole new market."

Video CD players are designed to be hooked up to a television set, like a VCR, to play films, music videos or karaoke. The first Video CD players are expected to sell for about \$250-\$300.

However, these products, which will make their debut in Japan next week, are aimed primarily at karaoke fans and devotees of music videos. They can be used to play full-length films, but the discs will each hold only about

70 minutes of video, so two discs are needed for a full-length feature film. The picture quality will be about the same as a video tape.

It is the second wave of Video CD players, expected in about six months, that is creating high excitement among multimedia experts. With improved picture quality and the ability to cram a full-length film on to a single CD these "movie players" could seriously challenge video tape players.

Video CD players will not, however, be able to record TV programmes. Tapes and CDs will probably therefore co-exist for many years, just as today's audio systems typically include a CD player and cassette tape deck for recording. Few doubt,

however, that the CD will soon become the medium of choice for pre-recorded video.

"The X-generation will love them," says Rick Sizemore of Total Research in Multimedia, an Arizona market research firm. He projects sales of up to 1m Video CD players next year and 5m in 1996. The launch of the first consumer oriented Video CD players could rocket C-Cube's sales (\$23.7m last year, and \$18.6m in the first half of 1994) into a much higher orbit. The company, which raised \$37.4m from an initial public offering in April, is beginning to attract Wall Street attention.

Analysts are projecting net earnings per share of about 70 cents for 1995, on sales approaching \$100m. "We view

C-Cube Microsystems as the purest and best near-term play on deployment of digital multimedia into many existing and yet-to-develop markets," analyst Alex Brown said in a recent report on the company.

Currently, C-Cube has little competition in the emerging multimedia chip market, although the company expects that the "big boys" of the semiconductor industry, including Motorola and the in-house chip operations of Japan's consumer electronics leaders, will soon be nipping at its heels.

C-Cube subcontractors the fabrication of its products to other chip makers, including Texas Instruments, one of the largest in the US. The company says

that it has no plans to invest in its own chip manufacturing facility, preferring to concentrate its resources on chip design.

Even if Video CD does not take off as quickly as expected, C-Cube has other irons in the multimedia fire. The company has developed a video "encoder" chip, used to compress video signals for digital satellite TV and cable TV transmission. It also provides chips for multimedia personal computer add-on circuit boards.

C-Cube chips are also used in the Panasonic 3DO home video game machine, widely acclaimed for its superior graphics. The 3DO machines have been slow to catch on in the US, largely because they

are more than twice as expensive as competing video game players from market leaders Nintendo and Sega.

however, C-Cube's latest chip will significantly reduce the price difference, says Balkanski, giving manufacturers of 3DO machines an opportunity to become real challengers in the video game market.

In the longer term, C-Cube hopes to supply chips for use in television "set top boxes", the units that link TVs to future interactive services. In this potentially very high volume market, C-Cube expects to face severe competition.

But the company is not waiting for interactive TV to take off. The multimedia trend has already created big opportunities, Balkanski believes. "While others are talking about the future potential, we will be printing money," he says

## Business lead for caller identification

By Andrew Adonis

Despite the hype about video-on-demand and home shopping, on past form it was always likely that business, rather than residential applications, would lead the march towards commercial multimedia services. So it is proving, with the progressive integration of office personal computers with telecommunications networks.

The video phone is a case in point. Most of those currently on offer are windows-based systems which convert the PC into a video phone by means of an appropriate "card" and camera placed on top of the PC screen.

Another line of development

the sales, marketing and customer support fields, where there is strong and immediate corporate demand for enhanced methods of dealing with phone-based business.

The introduction into the UK this autumn of "calling line identification" - a new phone facility which passes the number of the calling party to the person being called before the call is answered - is set to give a significant boost to computer telephony integration.

For businesses dealing with customers by phone, it will make it possible to set up systems enabling telephone staff to summon customer records on the PC screen before answering calls.

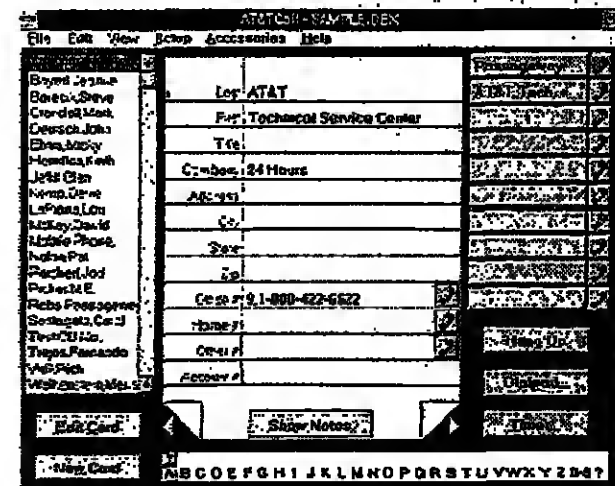
The race is on to provide low-cost CTI systems which can take advantage of calling line identification, and to make

them available to small and medium-sized businesses which have as much to gain from them as those in the large corporate sector.

AT&T, the US telecoms company, claims to have made a low-cost breakthrough this month with its "PassageWay" products, developed jointly with Novell, the US computer networking software supplier.

AT&T's "PassageWay Direct Connection" and "PassageWay Telephony Services" systems link the PC to the telephone line, making available a range of windows-based functions. These include the provision of screen "cards" on customers, which can be displayed within seconds through calling-line identification, and the ability to dial directly from the PC using a stored data base.

The PC keeps a record of



AT&amp;T's card file application can maintain names, addresses, telephone numbers and other information

incoming and outgoing calls and all functions are available at the click of a mouse.

The "PassageWay" software is retailing at £175 per line. However, users may also need new hardware to

integrate their phone and PC systems. This is available for less than £1,000 for a small business that has less than 16 telephone lines.

A 50-workstation user licence is available for around £7,000.

## France launches faster version of minitel

By John Ridding in Paris

The minitel, France's teletext system, is getting faster as it gets older. Tomorrow, France Telecom will unveil its minitel Vitesse Rapide, a system which is eight times quicker than the 6.3m terminals already installed in the country's households and businesses.

For the French state-owned telecoms operator it is an important step. "We regard it as one of the first moves towards multimedia and an information superhighway," says one official at the group.

The new terminals, which will cost less than FF100 (\$19) per month to rent, will allow a significant increase in the capabilities of the minitel network. For the first time, for example, service providers will be able to send photographs to potential customers.

"If you are looking to buy a

car or a house then you can have a photograph sent immediately," says a spokesman for France Telecom. Existing services available on minitel will also be cheaper. By raising the system's speed from 1,200 bytes per second to 9,600, the time needed for connection will be sharply reduced.

Initially, the new service is expected to be aimed at business customers. In time, it should find its place in French households as consumers demand a broader range of multimedia services.

"There has been a long wait for a faster system," says one analyst in Paris. "There should be quite strong interest from corporate clients. But the rate of penetration will depend on the quality of the system, particularly the images and the number of new services it attracts."

The high-speed minitel is not the only element in France Telecom's push towards multimedia services. Earlier this year the company established a new multimedia subsidiary, which has subsequently launched a range of services, including a pay-per-view movie channel. An electronics games channel and an home shopping channel have also been developed by the new subsidiary.

For minitel, the upgrade represents a new source of growth after 15 years of service. There are now more than 23,000 services available on the minitel system, from the basic telephone directory service to reservation facilities for trains and airlines. But it faces increased competition with communications and information networks, such as Internet, which operate on personal computers.

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## BUSINESS TRAVEL

## Virgin name change

Virgin Atlantic is rebranding its full-fare economy Mid Class cabin Premium Economy. An increasing number of passengers were becoming confused and angry that they were not receiving a comprehensive business-class service when flying Mid Class, writes Paul Bates.

The airline says research has revealed that some passengers and travel agents considered Mid Class as the airline's business cabin, rather than a superior product

for passengers paying a full economy fare. This confusion has left passengers feeling they are not getting their money's worth. They have compared Mid Class unfavorably with business-class services of other carriers, says Virgin.

"By giving it an economy tag, we are signalling exactly what it is - a superior economy product," says Ruth Blakemore, Virgin Atlantic's marketing manager.

Mid Class, launched two years ago, offers separate check-in and cabin, more seat room, free drinks and newspapers.

## Customs efficiency

International air travelers at Washington's Dulles airport are getting cleared through Customs more rapidly without any let-up in catching drug smugglers, according to US treasury secretary Lloyd Bentsen.

Mr Bentsen says it took an average 35 minutes to clear a passenger through customs at Dulles in 1992, against five minutes now.

Inspectors are better trained to look for smugglers, he suggests, adding airlines are providing information pointing officials to likely smugglers.

There were nine large seizures of heroin totaling 16 pounds at the airport two years ago, compared with 19 that yielded 69 pounds so far this year.

## Heathrow's health

Heathrow Airport insists there was no risk to the travelling public as a result of a baggage handler contracting legionnaires' disease.

Low levels of the bacteria which causes the disease were discovered in a water reservoir at Terminal 4, after KLM employee Chris Callender was taken seriously ill three weeks ago.

Tests were carried out throughout the Heathrow site, but no action was taken to warn travellers.

An airport spokesman denied there had been a risk to the public.

"It was an isolated incident. It was not detected in any area except a staff area, so it was determined that there was no risk to passengers and no need to inform them," he said.

"We decontaminated the area and as soon as we were satisfied, and the Health and Safety Executive were satisfied, it was business as usual."

A KLM spokeswoman said the staff area was out of bounds to the travelling public. Its water supply had now been reconnected after decontamination.

## Moscow fares

Bus and subway fares in Moscow nearly doubled under a city order that took effect last Friday.

Despite frequent fare hikes, public transit has been one of the most affordable services in the Russian capital, and is heavily used. But the current increases could hit the pocketbooks of low-income Moscovites.

A monthly transit pass that cost 10,000 rubles, or about \$4 on Thursday now costs 30,000 rubles, or about \$13. One subway ride has gone up from 150 rubles, roughly 6 US cents, to 250 rubles, or 10 US cents, while a bus token has climbed to the same level from 130 rubles.

## Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
London	12-18	12-18	12-18	12-18	12-18
New York	10-16	10-16	10-16	10-16	10-16
Frankfurt	12-18	12-18	12-18	12-18	12-18
Paris	12-18	12-18	12-18	12-18	12-18
Amsterdam	12-18	12-18	12-18	12-18	12-18
Brussels	12-18	12-18	12-18	12-18	12-18
Madrid	12-18	12-18	12-18	12-18	12-18
Rome	12-18	12-18	12-18	12-18	12-18
Tokyo	12-18	12-18	12-18	12-18	12-18
Sydney	12-18	12-18	12-18	12-18	12-18
Auckland	12-18	12-18	12-18	12-18	12-18

Air mileage schemes have become something of a headache for the world's airlines. Most leading airlines now offer a bonus or incentive scheme based on the number of miles a passenger flies with it even some of the old communist bloc carriers have become involved, with Czechoslovak Airlines running a frequent-flyer scheme, called OK Plus, for the last two years.

However, free tickets are an expensive way to keep the customers happy. People still refer to a summer when Pan Am, the defunct US airline, discovered that all its flights to Hawaii were filled by passengers claiming free mileage awards. As a consequence, airlines are becoming increasingly careful about the rewards they offer and the ways in which they administer such schemes.

Swireair, for instance, which runs the Qualifier mileage scheme along with Austrian Airlines and Crossair (and has reciprocal deals with Delta, SAS, Cathay Pacific and Singapore Airlines), makes it clear that members claiming free tickets may not be able to get on heavily booked flights. As a

Airlines want to change the emphasis of air mileage schemes, says Charles Jennings

## Price of free tickets

further dampener, it warns: "Your point of entry in a country need not be identical with the airport at which you board your return flight."

It is also keen to tempt you away from claiming an aircraft ticket of any description. Instead of a free flight to New York, for example, your 75,000 mileage credits could be spent on an hour in a Swissair flight simulator, two nights at the Lucknam Park hotel near Bath, or deep-sea diving in Lake Geneva.

Japan Airlines, with its JAL Mileage Bank scheme, is similarly quick to suggest that mileage credits can be spent on hotel accommodation, a "European break", or a seating

upgrade, rather than a ticket. Even American Airlines, which was the first to introduce mileage credits in 1981, is clear that, however many credits you accrue on its AAdvantage frequent-flyer programme, you cannot insist on any particular free flight in return.

As the airline puts it: "We have a sophisticated system to make sure that flights don't get swamped with AAdvantage flyers."

British Airways also evidently has this in mind with its Air Miles scheme. In order to qualify for Air Miles on BA, you must be a member of the Executive Club - a privilege earned by collecting Travel Points on BA flights. You can

then accrue Air Miles points only on fully flexible fares: non-discounted, unrestricted, non-Apex tickets, which account for a minority of tickets sold. The allowances, moreover, are not especially generous - a one-way flight from London to Rome can net you 80 Air Miles, but it will cost you 1,900 Air Miles for a free return ticket to the same destination. And you may not be able to fly when you want to.

Travel Points, however - which entitle you to Executive Club membership, access to the executive lounges and other benefits - are relatively easy to pick up. A handful of flights to the US and you could at once become a Silver Tier Executive Club member. BA wants to take the emphasis off free flights and turn Air Miles from a something-for-nothing promotional device into part of a larger strategy to keep customers loyal. As BA puts it: "It's more a thank you for travelling with us."

This is clearly the trend. As an industry spokesman observed: "In a perfect world, many airlines wish they weren't in the system. The problem is, it's here and you have to find ways to live with it."



Waiting in the wings: the 10-seater Boeing 747, which is celebrating its 60th anniversary this year, is dwarfed by the new Boeing 777, which will carry 300-400 passengers depending on cabin configuration. The first 777 is due to enter service with United Airlines of the US next year

The Belgians make more business trips than anyone else in Europe. The Greeks make the fewest and, when they do travel, they work the shortest hours when they arrive at their destination. These are some of the findings of a survey conducted by Visa International, the payments organisation.

Visa surveyed more than 2,000 travelling readers of Executive Travel and International Management magazines in 10 countries. The Belgians who responded

## Europe's most frequent and hardest-working trippers

made an average of 19.6 business trips in the past 12 months. The second most active travellers were the Dutch, who had made 16.7. The British were in third place, with 15.1 trips. At the other end of the scale, the Greeks had made only 7.4 trips over the past 12 months. The Norwegians were the

second least active, with 10 trips. The majority of travellers in the 10 countries - 54 per cent - said they were now making the same number of business trips as in the previous 12 months. About 27 per cent said they were making more trips, while 19 per cent said they were taking fewer. Most of the travellers who

were making more trips said the main reason was that their companies' performance had improved. While the Germans were not the most frequent travellers, making 15 trips in 12 months, they claimed to work the longest hours when they reached their destination. On average, German business

travellers said they worked 11.6 hours a day. The second most industrious business travellers were the Dutch and the British, who both said they worked an average of 11.4 hours a day. The French worked 11.2 hours a day. Many travellers from the four hardest-working countries said they put

in even longer hours. Twenty per cent of the British, 24 per cent of the Dutch and French and 25 per cent of the Germans worked more than 14 hours a day. The most relaxed business travellers were the Greeks, who worked an average of 9.9 hours a day when they were on business trips. They were followed by the Spanish, who worked 10.5 hours.

Michael Skapinker

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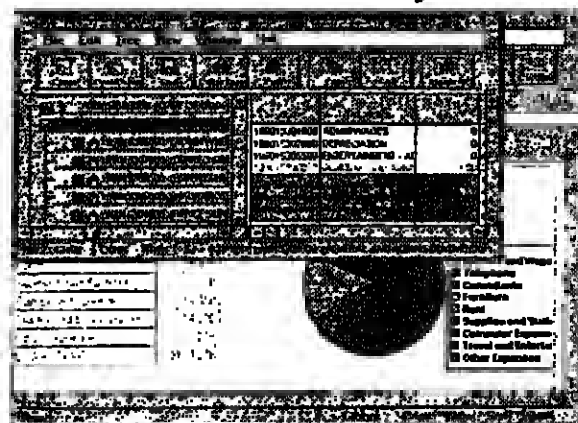
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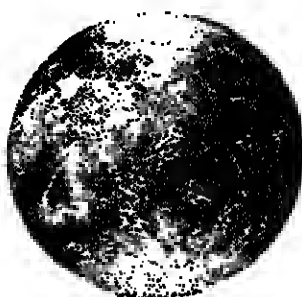
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## OPENINGS

## CHICAGO

Even as numbers provide that the Broadway version of "Angels in America" won't last out the year, Tony Kushner's Pulitzer Prize-winning play enters another chapter as other productions open around the US.

The national touring production of Kushner's first play, "Milk and Honey", opened last night at

Chicago's Royal George Theatre, with the second half, "Parade", joining it in a repertory from Thursday. Another production of Kushner's recently opened at Atlanta's Alliance Theatre. San Francisco's American Conservatory Theatre opens its version of both plays on October 12, while Houston's Alley Theatre launches its Angels next spring.

## ARTS

## LONDON WEST END

After a quiet summer season at the Birmingham Rep, the new New York Musical Theatre Company, created in Birmingham in July as "Musical Theatre Company", opens in London at the Strand Theatre (formerly the Royal Lyceum Theatre). An all-black cast, the company's first production, a musical by Stephen Sondheim, "Milk and Honey", is a Sondheim theme. Lynne Aronson has provided book and lyrics, Stephen Flaherty the music.

## NEW YORK

The Metropolitan Opera opens its 1994-95 season tonight with a gala featuring the quintet of leading sopranos - Pavarotti, Domingo, Pavarotti, Pavarotti, and Pavarotti - in Verdi's "Il Trovatore" and Luciano Pavarotti in Verdi's "Il Trovatore". The company also starts in Mozart's "Le Nozze di Figaro" on Saturday, while Pavarotti sings in Verdi's "Il Trovatore" on Sunday. The conductor for each occasion is James Levine.

## BARBICAN LONDON

Fighting high on the turbulent seas of London's orchestral life, the London Symphony Orchestra celebrates its 95th birthday in fine festive style. A gala concert on Thursday is the main event for its Endowment Fund campaign, with three composers who are especially close to the orchestra, Michael Tippett, Thomas Haydon, Colin Davis and Michael Tippett, his son, playing under Tippett's baton. The orchestra also continues with the Second Symphony on Tuesday.

## GOTHENBURG

Sweden's second biggest city celebrates the opening of a new opera house on Friday. Built to replace the small, antiquated Grand Theatre, the new \$60m Harbourside Theatre is the result of decades of political wrangling over site and cost. The first three nights are gala performances featuring Inger Wager and other outstanding Swedish singers. The first new production is Strindberg's 1908 opera *Amadeus*, opening on October 15.

## PARIS

The main column exhibition is devoted to Poussin, marking the 400th anniversary of his birth. It brings together 140 drawings and 100 paintings, including the two sets of *Seven Sacraments* and some of Poussin's most famous religious and classical works. The show opens at the Grand Palais on Saturday, and will move to the Royal Academy in London early next year.

## The lottery: will it end in tears?

To some it could mean a golden age, to others extinction. Antony Thorncroft reports

Next year cash from Britain's national lottery will start to feed through to help the arts and usher in a new cultural golden age. That is the scenario. The reality could be that the arrival of the lottery will signal the closure of many arts organisations in the UK, in particular those whose survival depends upon getting lottery money. If their bids are unsuccessful, they will see little point in struggling on.

Almost daily, redevelopment plans are announced that are totally dependent on the lottery. This month alone in London the Riverside Studios launched a £3.3m appeal; the ENO a £40m-plus refurbishment programme; and the ICA a £25m drive next year.

These are on top of the Royal Opera House and the British Museum, both of which are thinking big: £100m or so; the South Bank, with £65m; Albertopolis at £150m - and on and on. Some of these started out as millennium projects but they are already hedging their bets and winking at the Arts Council's lottery department, which is bracing itself to receive up to 30,000 applications when the flood-gate opens on January 1.

In theory, with predictions of £150m a year for the arts from the lottery at the start, rising to £200m, there will be plenty of money to spread around. In practice, too

many arts companies will seek help immediately, and some will have their plans rejected. It might be better to delay an application for aid.

One reason why the Arts Council lottery straps will turn down a supplicant is that they do not believe in the feasibility of its development plan. In theory arts companies must find some matching money through their own efforts: from local authorities, business, and private philanthropists. At one time the government hoped for 50:50 deals but the likelihood of conjuring up £150m a year from friends of the arts is obviously nonsense.

The Arts Council is already lowering its targets, to 35 per cent self-generated funds for large organisations, even less for smaller, but it would still be remarkable if many arts companies could raise such sums. Many will fail at this hurdle.

Where will the self-generated money come from? Business is the obvious answer, but companies will not want to scatter their funds around. Boards might choose to support just Covent Garden or the National Theatre's modest £4m appeal, or that of a local theatre or arts centre. There is also the real danger that if they do rally round the arts on these capital projects they will cut back on their sponsorship of performances, on backing a new opera production or concert tour.

Rather belatedly, other companies are starting to realise that there must be money to be made from these vast new lottery expenditures. Accountants Moore Stephens has been quick off the mark in forming an arts and heritage group under Stephen Clarke which will advise arts companies on how they can best organise themselves to take advantage of lottery revenues. The Almeida, the Young Vic and Stratford East have been advised on their management and financial practices, and Moore Stephens is also helping the Lowry project in Lancashire come up with a business plan.

The feeling is that the private sector will only help arts companies with substantially more money if there is some commercial advantage for them. The government is unlikely to offer tax breaks, so perhaps arts organisations themselves could come up with some profit-sharing schemes.

The obvious example is brewers weighing in with cash for redevelopment in return for bar and catering concessions in refurbished buildings. Computer companies might also help if rewarded with the task of modernising the box office system. Foreign touring by an arts organisation could interest a corporate supporter keen to open up contacts in export markets.

Alternatively, companies might be attracted by the idea of debentures (which famously got the Albert Hall built), or guarantees of free tickets for their workforces, or having the new building carry a company name (like the Toshiba link with the ICA) announced in the Royal Lyceum Theatre. An all-black cast, the company's first production, a musical by Stephen Sondheim, "Milk and Honey", is a Sondheim theme. Lynne Aronson has provided book and lyrics, Stephen Flaherty the music.

One thing already seems obvious: the larger organisations will have a head start over the smaller, not only because they are more commercially sophisticated but because they can call on more influential names to head their appeals. One of the incidental joys of the whole process will be to see how these grandees perform as fund-raisers.

Will that scion of the great and the good, Sir Claus Moser, who heads the British Museum's ambitious £100m redevelopment plan (Princess Margaret is patron) steal a march over ex-Tory party money man Shaun Woodward, who is masterminding the ENO capital project and is married to a Sainsbury. Now is the time to nab your mover and shaker.

It could all end in tears. There are some who do not believe that these vast new sums will emerge from thin air. What if the lottery is a disappointment and the British public sticks to gambling on the horses and the football pools. Last week, John Major nailed his colours to the lottery mast. If the lottery does not provide the anticipated cash, optimists expect the government to make it work with tax breaks or lavish endowment funding. Pessimists, however, fear that it might all end in tears.

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## Concert/David Murray

## Brindisi, ten years on

Though it has reached its 10th anniversary, the members of the Brindisi String Quartet are still quite young. Without making any great splash along the way, it has become known among aficionados of the medium as one of Britain's best quartets. It played at the Wigmore Hall on Thursday.

Expert, judicious, selflessly intent upon the music and respectful of the great performing tradition: thus far, one might suspect that the players listen to other people's recordings more than is good for them. But they also make a point of playing 20th-century music, often new works, and in the classics - like Schubert's C major Quintet this time, with Anthony Pleeth as second cello - their "standard" readings are lit by the immediate grace and conviction of their playing and the lively balance of their collective sound.

In the Schubert masterpiece, every major point in living, breathing sound was registered; radical new insights would have been superfluous. Alban Berg's op. 3 Quartet, however, demands committed individual imagination from

each player, and it got that in full measure, reinforcing my conviction that this early-ish Berg work is one of the seminal - and most completely realised - quartets of our century. Even its most consciously outre effects have an exact expressive sense, which the Brindisi team regularly sought and found.

It also revived the 1931 Quartet by the American Ruth Crawford Seeger (wife of Charles, mother of Pete) to bracing effect. Ms Seeger, who died in 1953, was a rigorous but highly inventive composer before she sacrificed her career to her husband's musical interests. Her Quartet tingles with spiky ideas, sharply carried through. In a feminist canon, it deserves a place alongside Elizabeth MacConchy's and Sofia Gubaidulina's quartets.

The Brindisi's first violin is a woman, as it happens: Jacqueline Shave, almost the only female leader of any established quartet. She is the ideal *prima inter pares* - a democratic part-player among the other three (another woman and two men), yet she wields quiet musical authority whenever the score needs a dominant voice. We could do with more like her.

## Opera in Zurich/Andrew Clark

## Mascagni's 'L'amico Fritz'

There are no prizes for naming the composer of *Cavalleria Rusticana*. But what other operas did Pietro Mascagni write? He completed *Cav* in 1891 at the age of 26, and spent his remaining 55 years trying to emulate its success. The comparative failure of his other works has given him the reputation of a one-opera composer.

Now comes a production of *L'amico Fritz* which suggests that Mascagni's talents went further. The Zurich Opera has brought together an internationally-established tenor and soprano from Italy, Vincenzo La Scala and Daniela Dessi, and framed their performances in a staging which is pretty but never sentimental. The result is an evening of pure charm.

Mascagni was aware that some critics ascribed the runaway success of *Cav* to the stark realism of its libretto. For his next opera, he deliberately chose a weak subject - a rustic comedy set in Alsace - in order to highlight his gifts as a composer. The big surprise of *L'amico Fritz* is how familiar the tunes are.

There is an abundance of pastoral atmosphere, evoked by folk melody, an off-stage chorus and instrumental lines of disarming grace. The whole opera - only 90 minutes - has a consistency of inspiration which more than compensates for the flimsy plot.

Fritz is a wealthy, middle-aged bachelor who offers his vineyard to the local rabbi as a wager that he will not marry. He promptly falls in love with Suzel, daughter of one of

his tenants. The vineyard is returned as a wedding present, and all live happily ever after.

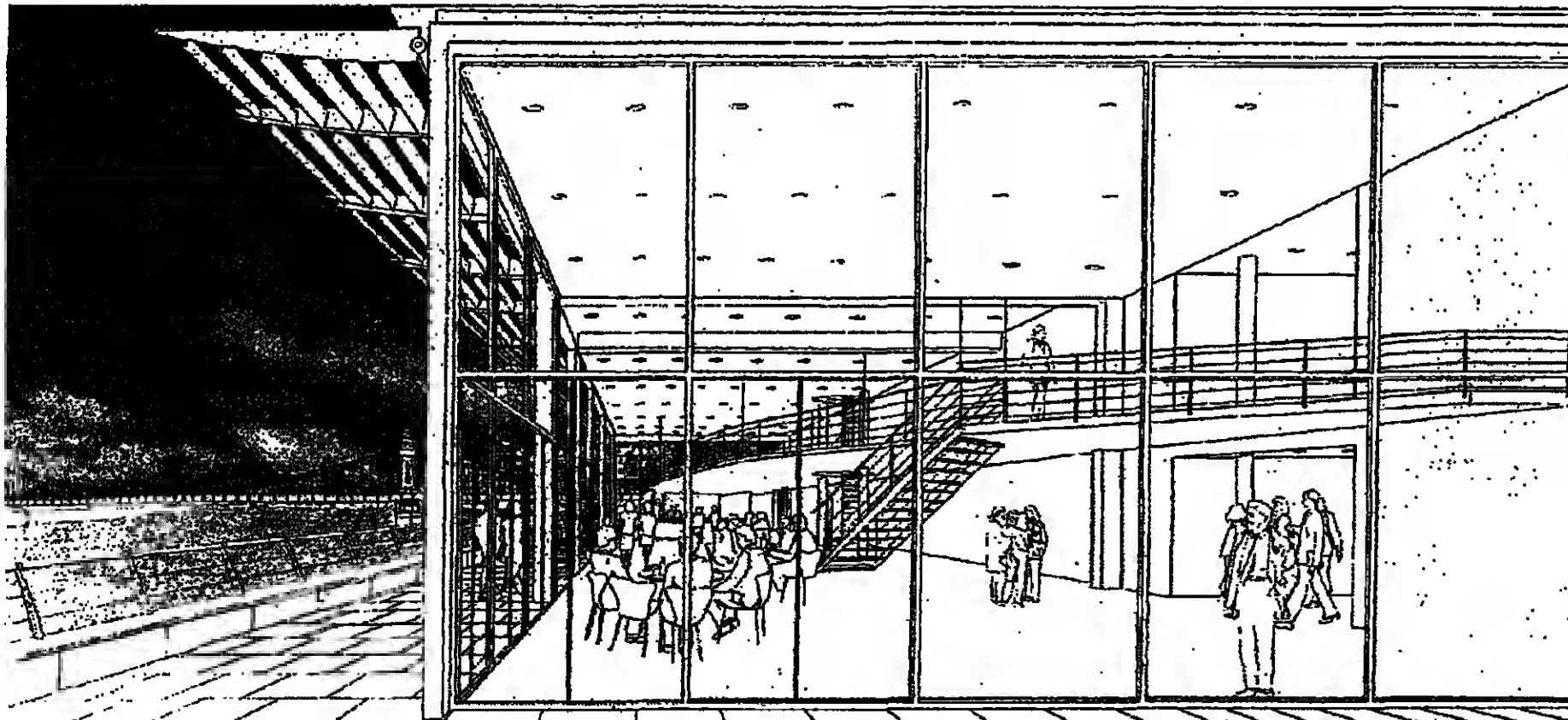
The gentle colours and idyllic setting of *L'amico Fritz* have more in common with *La Sonnambula* than verismo and, like the Bellini, it depends on a first-rate cast, a sensitive stage director and supportive conductor.

The Zurich Opera duly obliged. The production was staged in nearby Winterthur, as part of a campaign to make the canton of Zurich (rather than the city) responsible for funding the Zurich Opera House. There was no drop in standard for the out-of-town venue.

As Fritz, La Scala hit every note confidently and stylishly, without a trace of false emotion. The Italian tenor's performance was poetic, capturing the shift in character from misogyny to self-doubt and open-hearted emotion.

He found a radiant partner in Dessi's Suzel. She may not be the *bambina* of Fritz's description, but she was comely and demure, and her classic lyric spinto soprano sounded in peak condition. There was strong support from the rest of the small cast, particularly Stefania Kalzura in the trouser role of Beppe. Griseba, Asagoroff's staging, designed by Marouan Dih and Jan Skalicky, was admirably clear, but too brightly lit.

The Winterthur orchestra thrived on Manfred Honeck's direction. And despite its modern, concrete appearance, the Theater am Stadgarten contributed a pleasantly warm acoustic.



Pie in the sky or a viable proposition? The Riverside Studios £3.3m redevelopment plan, one of a flood of arts bids for National Lottery cash

## INTERNATIONAL ARTS GUIDE

## BERLIN

**OPERA/DANCE**  
*Deutsche Oper* The main event this week is the first night on Wed of John Dew's new production of *Andrea Chénier*, conducted by Rafael Frühbeck de Burgos, with a cast headed by Lisa Gasteier, Richard Margison and Alexandru Agache. Repertory also includes *Un ballo in maschera*, *Der Rosenkavalier*, *Fidelio* and a Balanchine programme (341 0249).  
*Staatsoper unter den Linden* A new production of Rossini's 1813 *Ferrara* version of *Tancredi* can be seen on Wed, Sat and next Tues, conducted by Fabio Luisi and staged by Fred Berndt, with a cast headed by Jochen Kowalski and Lynne Dawson. The Venice version of the same opera follows on Oct 6, with a different cast. Repertory also includes the Nureyev production of Glazunov's ballet *Raymonda* (200 4762/2035 4494).  
**CONCERTS**  
*Philharmonia* Tomorrow: Pierre Boulez conducts Ensemble InterContemporain in works by

Wabern, Boulez and Ligeti. Wed, Thurs: Boulez conducts Berlin Philharmonic Orchestra and BBC Singers in Wabern and Stravinsky (the BPO goes on tour to Japan with Claudio Abbado Oct 6-15). Its next Berlin concert is Oct 21, 22 and 23. Sat: Berlin Oratorio Choir in Dvořák's Mass in D. Sun morning: Michael Schoenwandt conducts Berlin Symphony Orchestra and Philharmonic Chorus in Beethoven's Ninth Symphony. Oct 4: Anne Sophie Mutter, Oct 5: Jaesay Norman. Oct 6: Alfred Brendel (2548 6132).  
*Schauspielhaus* Thurs, Fri, Sat, next Mon afternoon: Michael Schoenwandt conducts Berlin Symphony Orchestra and Philharmonic Chorus in Beethoven's Ninth Symphony (2080 2158).

## NEW YORK

**OPERA/DANCE**  
*Metropolitan Opera* The 1994-95 season opens tonight with a gala performance starring Plácido Domingo in Puccini's *Il Tabarro* and Luciano Pavarotti in *Le Cavalier*. Tereza Stratas and Juan Pons sing in both operas, which are conducted by James Levine. Tomorrow, Sat afternoon: *La bohème*. Wed: *Rigoletto*. Fri: *Il tabarro* and *Il Pagliacci* with Luis Lima and Pavarotti. Sat evening: *Idomeneo* with Domingo (repeated Oct 4, 7, 10). Next week's performances include *Tosca* with Pavarotti. The first new production is Shostakovich's *Lady Macbeth of Mtsensk*, opening Nov 10 (362 8000).  
*State Theater* New York City Opera's autumn season runs till Nov

20. This week's performances are daily except tonight and Thurs, and feature *Delibes'* *Lakmé*, *Borodin's* *Prince Igor*, *Il barbiere di Siviglia*, *Carmen* and *Tosca*. *Prince Igor* is a new production conducted by Guido Almon-Marsan and choreographed by Damian Woetzel of New York City Ballet (870 5570).  
**CONCERTS**  
*Carnegie Hall* The new season begins on Thurs with a gala concert featuring the Academy of St Martin in the Fields in a Mozart, Rossini and Berlioz programme, conducted by Neville Martin, with mezzo soloist Cecilia Bartoli. Martin also conducts Elgar and Tchaikovsky on Fri, with violin soloist Lella Josefowicz. Sanford Sylvan gives a song recital on Fri in *Well Rectal Hall*. Václav Gergiev conducts the Kirov Opera Orchestra on Sat evening and Sun afternoon. In two programmes including Shostakovich's Eighth Symphony and Rakhmaninov's Second (247 7800).  
*Avery Fisher Hall* Kurt Masur conducts the New York Philharmonic's concert this week and next. Tomorrow: Weber, Schubert and Bartók. Thurs, Fri afternoon, Sat, next Tues: Dvořák and Prokofiev (875 5030).  
**THEATRE**  
*Philadelphia, Here I Come!* Roundabout Theatre Company's revival of Brian Friel's 1986 Irish drama, with Milo O'Shea, Robert Sean Leonard, Jim True and Pauline Flanagan. Directed by Joe Dowling (Roundabout, Broadway at 45th St, 889 8400).  
*Three Tall Women*: a moving, poetic play by Edward Albee, dominated by the huge, heroic

performance of Myra Carter. She, Jordan Baker and the droll and delightful Marian Seldes represent three generations of women trying to sort out their pasts (Promenade, 2162 Broadway at 78th St, 239 6200).  
*Angels in America*: Tony Kushner's two-part epic conjures a vision of America at the edge of disaster. Part one is *Milk and Honey*, played on separate evenings. The cast includes F. Murray Abraham (Walter Kerr, 218 West 48th St, 239 6200).  
*King Ubu*: Paul Todorov directed and stars in this production of George Bernard Shaw's translation of Alfred Jarry's *fin-de-siècle* satire. The Independent Theatre Company gives a diverting and campy spin to the nasty, low-down goings-on. Till Oct 8 (House of Candles, 99 Stanton St, 353 3088).  
*An Inspector Calls*: J.B. Priestley's 1945 mystery in a stunning re-interpretation by Stephen Daldry, first seen at Britain's National Theatre (Royale, 242 West 45th St, 239 6200).  
*Guys and Dolls*: a top-notch revival of the 1950s musical about the gangsters, gamblers and good-time girls around Times Square (Martin Beck, 302 West 45th St, 239 6200).  
*Kiss of the Spider Woman*: pop star and ex-Miss America Vanessa Williams has taken over the title role in the long-running Kander and Ebb musical directed by Harold Prince (Broadhurst, 235 West 44th St, 239 6200).  
*Crazy For You*: Garshwin's tunes and Susan Stroman's choreography

are the central pleasures of this light and frothy entertainment, now in its third year on Broadway (Shubert, 225 West 44th St, 239 6200).

## PARIS

**CONCERTS**  
*Myung-Whun Chung* conducts the world premiere of Messiaen's *Concerto for four solo instruments and orchestra* tonight at the Bastille, with soloists including Mstislav Rostropovich, Helmut Högner and Yvonne Loriod (4473 1300). Zoltan Pasko conducts the Orchestre Philharmonique de Radio France on Sat at Maison de Radio France in works by Ligeti, Kurtag and Janáček, with soprano Phyllis Bryn-Julson (4230 1516). The next Orchestre de Paris concert at Salle Pleyel are on Oct 5 and 6, when Semyon Bychkov conducts Mahler's Fifth Symphony (4563 0796).  
**OPERA**  
*The opening production* of the season at the Opéra Bastille is Simon Boccanegra, conducted by Myung-Whun Chung and staged by Nicolas Brieger, with a cast headed by Vladimir Chernov, Kallan Esparian and Roberto Scandoluzzi (next performances Fri evening and Sun afternoon, continuing till Oct 14). Bob Wilson's version of *Madama Butterfly* is revived on Thurs with Miriam Gauci in the title role, with nine further performances till Oct 22 (4473 1300).  
*The new Ring production* at the Châtelet continues with Siegfried on Oct 14 and Götterdämmerung on Oct 16. There will be two complete Ring cycles between Oct 31 and Nov 13 (4028 2840).  
**DANCE**

● One of France's leading young choreographers, Philippe Decouflé, is in residence with his troupe daily till Thurs at Théâtre de la Ville (4274 2277).  
● The Paris Opéra Ballet's 1894-95 season takes place mainly at the Opéra Bastille. It opens on Oct 25 with the traditional Grand Défilé, followed by Balanchine's *Le Palais de cristal* (Symphony in C) to Bizet, *The Four Temperaments* to Hindemith and Jerome Robbins' *Glass Pieces* to Philip Glass (12 performances till Nov 17). The season also includes a young dancers programme, Nureyev's *Swan Lake*, a mixed bill including works by Balanchine and Martha Graham, John Neumeier's *Magnificat* and a Nijinsky-Nijinsky programme. (4742 5371).  
**JAZZ/CABARET**  
*American vocalist* Artie "Blues Boy" White and his band are in residence this week at Lionel Hampton Jazz Club. Oct 3-15: blues singer/guitarist David Dee. Music daily from 10.30pm to 2.00am (Hotel Meridien Paris Etoile, 81 Boulevard Gouvion St Cyr, 4068 3042).  
**FESTIVAL D'AUTOMNE**  
The programme includes Peter Stein's Moscow staging of the *Oresteia* (Oct 9-15), a Bob Wilson adaptation of Dostoyevsky (Oct 11-23), Robert Lepage's *Seven Streams of the River Ota* (Nov 18-26) and *The Merchant of Venice* directed by Peter Sellars (Dec 6-17). The dance programme is headed by Trisha Brown Dance Company (Nov 3-12), and there is a special focus on the music of György Kurtág (*Festival d'Automne à Paris*, 156 rue des Rivoli, 75001 Paris. Tel 4298 1227 Fax 4015 9288).

## ARTS GUIDE

**Monday:** Berlin, New York and Paris.  
**Tuesday:** Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.  
**Wednesday:** France, Germany, Scandinavia.  
**Thursday:** Italy, Spain, Athens, London, Prague.  
**Friday:** Exhibitions Guide.  
**European Cable and Satellite Business TV**  
(Central European Time)  
**MONDAY TO FRIDAY**  
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230  
**MONDAY**  
NBC/Super Channel: FT Reports 1230.  
**TUESDAY**  
EuroNews: FT Reports 0745, 1315, 1545, 1815, 2345  
**WEDNESDAY**  
NBC/Super Channel: FT Reports 1230  
**FRIDAY**  
NBC/Super Channel: FT Reports 1230  
Sky News: FT Reports 0230, 2030  
**SUNDAY**  
NBC/Super Channel: FT Reports 2230  
Sky News: FT Reports 0430, 1730.



Samuel Brittan

## Economics without crystal gazing



The most hard-nosed financial commentators should have sat up and taken notice when Prof David Currie, head of the London Business School, recently suggested a policy objective for nominal GDP as an improvement on the present UK policy framework, which supposedly targets inflation and nothing else.

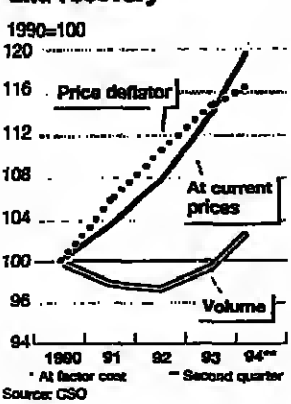
Prof Currie has, in the past, been a Labour adviser whose name has been mentioned in relation to top official advisory jobs. Of course he is not the only influence on Labour policy, and the new Labour leader, Tony Blair, is far from a sure shot for the next election. But it is still surely worthwhile to take note of Currie's suggestion, as well as of what the bond market is supposed to "think". In fact, the arguments for a nominal GDP framework speak for themselves, irrespective of politics; and the governor of the Bank of France, Jean-Claude Trichet, recently used the concept in discussing economic developments in his own country.

Prof Currie argues that a nominal GDP objective would be a good compromise between an output objective and one for inflation. There are many other arguments and nuances (some of which were given in my Economic Viewpoint of September 8). The one that is most relevant now is that it makes policy a little less dependent on being able to project the course of the economy for several years ahead than the present Treasury and Bank of England framework does.

It will be a sign that nominal GDP is taken seriously when analysts go beyond debating the concept and start looking at the numbers.

The Central Statistical Office gives two versions of nominal GDP - at market prices and at factor costs. (The latter excludes indirect taxes and subsidies.) The market price

### UK GDP in recession and recovery



Source: CSO

measure shows an increase of 5.8 per cent over a year ago; the factor cost one of 5.7 per cent - identical for practical purposes. The more fundamental factor cost estimate breaks down into a 3.8 per cent real rise in output and a 1.8 per cent increase in prices, as measured by the GDP deflator.

Is a 5% to 6 per cent annual rate of increase of GDP in cash terms too fast or too slow? If the policy were starting with output on its trend line and with minimum inflation, a 5 per cent objective would be appropriate. There would be room for 2% per cent output growth and 2% per cent measured inflation. (The latter would reflect hidden quality adjustments as well as the acknowledged difficulty of achieving literally zero inflation at short notice.) But when an economy is still emerging from a severe recession an annual nominal growth of up to 6 per cent per annum is surely not too fast.

Unfortunately analysis cannot end here. For the growth of GDP - both nominal and real - has been swollen by a bulge in the erratically moving output of the North Sea sector. Indeed, when it suited his book, the Treasury was very keen to emphasise non-oil GDP. We know from the CSO estimates that real GDP, excluding oil, rose in real terms not by 3.3 per cent but by 3.2 per cent in the year to the second quarter of 1994. The CSO does not publish estimates for nominal GDP

excluding oil; do-it-yourself arithmetic suggests that it rose by just over 5 per cent - which surely will be slow enough to satisfy the cautious school.

Even now we are not yet in clear water. The true best objective for a nominal policy framework is not nominal GDP itself, but a related measure called domestic expenditure. This is only available at market prices and includes oil. It has risen less than the GDP measure because it excludes net exports (that is exports minus imports) which have been on an improving trend. Indeed, the main reason for focusing on domestic expenditure is that it leaves room for a balance of payments improvement without making that improvement an objective of policy.

Thus the more national income figures are examined the more the economy seems to be on a steady-as-she-goes path. But it would be far too mechanical an application of a way of thinking, intended for broad policy guidelines, to go from here to denounce the recent half per cent rise in base rates. Looking at the whole world economy, including commodity prices and exchange rates, the balance of risks favoured a modest increase. If we look at the CBI monthly trends survey, this shows that, despite the small temporary dip in September, the rise in output is expected to accelerate and that the efforts of firms to increase prices are also slightly stronger. Both forces make a modest acceleration in aggregate spending seem more likely than a deceleration. In addition, future revisions of GDP growth rates are more likely to be upwards than downwards.

If the Bank of England wants to avoid excessive reliance on futurology, it will pause before pressing for further base rate increases. Instead, it might try its hand at producing rough trend lines for nominal GDP and related variables in more timely fashion than the official national income figures.



PERSONAL VIEW

It was with a sense of relief and achievement that ministers and trade officials from around the world signed the agreements of the Uruguay Round in Marrakech five months ago. Seven years of difficult and often tense negotiations were rewarded by a global commitment to protect and continue nearly 50 years of successful multilateral trade policy.

The stakes were, and remain, huge. Trade has been the most powerful engine of economic growth since the second world war, driving a global increase in output and incomes. The resulting unprecedented prosperity - although it still eludes many in developing countries - has been crucial to maintaining the longest period of peace known to much of the world.

Trade is a central force in boosting economic activity, employment and welfare. It is the cornerstone in the increasingly complex economic interactions among the industrial countries and between these countries and others.

The states of eastern Europe and the former Soviet Union have shown courage in entering upon economic transition. To support their commitment to market principles, these countries need secure and expanding outlets for their products. They also need foreign investment which will only materialise if - and to the extent that - export opportunities are available.

In Latin America, Africa and parts of Asia and the Pacific, countries which have heavily worked to open their economies know that further progress, and their potential as thriving markets, depends on further development of an open, rules-based trading system. The poorest states, also, urgently need opportunities to expand trade. Development in this region is a priority for the world community.

All countries need the open, rules-based trading system that the Gatt has represented in its half-century of existence. Failing to complete the Uruguay Round would not merely have meant failure to move ahead on certain trade issues. It would have shattered confidence in the entire system.

With the successful conclusion of the Uruguay talks, two important tasks lie ahead. First, the participants who invested so much effort in reaching agreement must

## Trade winds that bode only good

Mexico's President Carlos Salinas, vying to lead the World Trade Organisation, outlines its tasks



President Salinas: 'Ratification is not a sufficient condition for the new organisation's success.'

ensure the accord becomes reality by ratifying it before the end of the year. Otherwise, the Uruguay agreement risks becoming little more than an historical footnote.

The process of ratification must be treated with the same determination as the negotiations. To date, most participants - nearly 100 - have not completed the internal processes necessary for ratification. Although the deadline is three months away, it is disturbing that the pace appears slow in a number of capitals. Efforts to solve any outstanding problems they are experiencing should be intensified.

Second, Uruguay round signatories should start looking carefully at the needs of the new system to ensure the World Trade Organisation (WTO) functions effectively from the outset. Past experience has shown that the effectiveness of the international trading system cannot be taken for granted.

In this respect, the WTO must meet three basic conditions: it must be representative, reliable and responsive.

First, membership of the new organisation must be representative of world trade. Creating

Gatt in 1948 with only 23 participants was appropriate, given the relatively restricted trade flows of that time. But today, the guiding principle should be universality - long the ideal of Gatt in which 123 countries, in all regions and at all stages of development, now participate.

More than 20 countries, including Russia and the

**'The World Trade Organisation must be representative, reliable and responsive'**

Ukraine, are currently seeking admission into the multilateral trading system. Their producers, traders and trading partners need the clarity, predictability and protection that Gatt provides. We must all co-operate to ensure these countries are admitted promptly and satisfactorily.

Second, a solid and successful World Trade Organisation must be a reliable instrument and forum. In recent years, serious trade tensions have threatened to erode the reliability - and thus the credibility - of Gatt. Major improvements in the clarity of Gatt rules, the broadening of its mandate and reform of its dispute settlement procedures will increase the reliability of the multilateral trading system and help create a firm foundation for the WTO.

National governments may sometimes see advantages in not meeting their international obligations, and be tempted to act accordingly. This temptation can be overcome only if countries are committed to the system and realise that they share an interest in maintaining a rules-based regime.

Third, the trading system must be responsive to the evolving needs and challenges that the international economy will always pose if it is to retain political support.

This is nothing new; it is precisely through its adaptability that Gatt has demonstrated its resilience. I refer to the important reinforcement of its rules (on issues such as control of subsidies) through the Tokyo Round codes; to the special provisions for developing countries introduced in the 1970s; and to agreements reached in the area of agricul-

ture and textiles which became make-or-break issues in the integrated world economy of the 1980s and 1990s, but which did not seem remotely possible only a few years earlier.

Looking ahead, it is impossible to predict future challenges to world trade, but some issues are clear. Certainly, the relationship between the environment and trade is a priority. Governments, individually and collectively, must work to increase environmental protection without jeopardising the open and rules-based character of the future World Trade Organisation. Moreover, the increased exposure of our economies to the full force of international trade winds requires the gradual formulation of rules and co-operative arrangements between nations on regulation and competition.

Solutions in these and other politically delicate areas will depend on technical expertise and political engagement. Consensus-building will be a key element in this process.

The relationships between members of the new World Trade Organisation will become increasingly complex, as new countries join, and existing members develop into full participants. It is, therefore, imperative that the WTO itself be effective, both technically and in its relations with members. It should dedicate itself not to offering solutions - for this is up to member governments - but to identifying options, to supporting bridge-building efforts, and in this way facilitating consensus. For this we depend on the highly qualified and dedicated Gatt staff, and on the legacy that Peter Sutherland will leave behind.

Only three months remain before the birth of the World Trade Organisation. Ratification of the Uruguay Round is a complex and delicate political process that will demand skill and commitment from all participants. Yet ratification - and I call for ratification now - is a necessary but not sufficient condition for the success of the new organisation. All countries must devote the highest possible level of engagement and support to ensuring the World Trade Organisation functions effectively and successfully from the outset.

Speaking for my country, Mexico, we are ready to contribute all our efforts to the successful launch of the next 50 years of the international trading system.

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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### Setting a sensible nuclear agenda

*From Mr Peter R Willis.*  
Sir, Andrew Baxter's article ("UK alleges EC procurement malpractice", September 23) identifies a number of the obstacles to the application of the EC public procurement rules. However, it also underlines the general lack of awareness of this area of the internal market rules.

There are now half a dozen public procurement directives (rather than a single one), the earliest of which, covering the award of public works con-

tracts, has applied to UK authorities since July 1978, some 16 years before the date indicated in the article. The latest directive, covering the award of contracts for services by both public and private utilities, was to have been implemented by July 1 this year. The UK has not yet done so and is therefore itself not entirely above criticism.

The rules allow those unfairly excluded from a public tendering procedure to apply to the national courts for an injunction suspending the procedure and also provide for an award of damages. At the same time, the Department of Trade and Industry and the European Commission are usually receptive to complaints about failure to comply with the rules. It is largely up to industry to highlight the abuses so that the institutions can act.

Peter R Willis, solicitor, Turner Kenneth Brown, 199 Avenue des Arts, 1040 Brussels, Belgium

### Industry must highlight abuses

*From Mr Peter R Willis.*  
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### Company finances could be hit by pensions solvency standard

*From Mr Trevor Crowther.*  
Sir, Barry Riley is quite right to point out that the proposed introduction of a minimum solvency standard for UK pension funds raises some very far-reaching investment issues ("New benchmark worries UK pension funds", September 23). More than that, it has poten-

tially enormous financial implications for employers. If pension funds switch investment away from equities towards bonds, based on long-term historical investment returns, the cost of pension provision will increase substantially. On the other hand, if pension funds retain

their strong equity bias to maximise investment return, there is a risk that large amounts of additional cash will need to be found in the future, due to their failing the solvency test.

It is encouraging that some of the implications of the proposed standard are now begin-

ning to be recognised. However, I do not believe that the potentially highly damaging impact on the finances of British business has been considered sufficiently.

Trevor Crowther, KPMG Actuarial Services, 1-2 Dorset Rise, London EC4V 3AE

Mr Howard mistakes



## FINANCIAL TIMES

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Monday September 26 1994

# World Bank Group at bay

In the financial year ending June 1994, the International Bank for Reconstruction and Development, the commercial lending arm of the World Bank Group, made net disbursements of \$1.5 billion. Such figures will be met and met and met. So too will the fact that administrative expenses have risen 60 per cent over the past six years, while gross disbursements have stagnated. Inevitably, the Bank is finding it difficult to convince the public that it knows what it is doing and is doing it efficiently and effectively.

What makes the task particularly difficult is the changing international climate. Historically, the Bank had two groups of supporters in industrial countries: cold-warriors and do-gooders. The first group has now disappeared, while those who claim to have the interests of developing countries at heart now condemn the Bank for its stinginess, its heavy-handedness, its encouragement of environmental despoliation and its neglect of the cause of the poor.

For all its might, the Bank lacks friends and, lacking friends, is politically vulnerable. But it will achieve nothing by pretending to be what it is not. It is a large, international public organisation that must work with, and through, governments. Its brief is, in essence, to assist developing countries achieve rapid, poverty-alleviating growth. Again, there is no huge mystery about how this is to be achieved. East Asian developing countries have shown the way. The trick - difficult in most places and hitherto impossible in some, notably in Africa - is to help others follow the same path.

## Economic returns

The Bank must confront its critics. If it is to be blamed for its failures, it must point to such successes as East Asian development and the green revolution. It must also reject the notion that its brief is to transfer resources, something that could be done better by a check-writing machine. The wasteful use of oil revenues by so many oil-exporting developing countries demonstrates that the mere availability of funds does not ensure economic development. The question, instead, is whether lending brings satisfactory economic returns to borrowers.

## Mr Howard's mistakes

He - it has not yet been a she - who lives by headlines may perish by headlines. That is the danger facing Mr Michael Howard. It is partly of the home secretary's own making. He is aware, or should be, that the rise in crime that has aroused so much public anxiety is the product of complex causes, yet he has sought acclaim as the stern enforcer of criminal justice. He has presented himself as the scourge of criminals, while events have conspired to enable the media to picture his ministry as soft on prisoners and careless in its custody of terrorists.

A year ago, at the Conservative conference, Mr Howard presented a "20-point plan" to tackle crime. He then made every administrative and political mistake in the book. He distressed his officials, by curtly rejecting their advice. One by one the client groups under his ministry - police, magistrates, judges and all - were alienated. Then, under pressure, this "tough" minister retreated, as in the case of a recently recommended package for the reform of police pay and conditions.

The most spectacular defeat came in the House of Lords, where Mr Howard disclaimed to reach an understanding with Lord Whitelaw, and thus had to redraft key clauses of an important bill. This particular home secretary is not, however, solely to blame for the contents of the criminal justice bill or indeed the police and magistrates' courts bill. They were in draft form when his predecessor, now chancellor, left office. The first bill was designed to correct previous, poorly-drafted, Conservative legislation, the second to extend central control over the constabulary and the magistracy. Both had some merit, and many infelicities. Mr Howard's fault lay in his exuberant pursuit of partisan victories in an area of governance in which consensus is usually preferable.

## Political clumsiness

The political clumsiness he thus displayed may have the serious consequence of clouding the debate over the merits of the government's attempts to reform the management of the country's jails. In theory the Prison Service, the new agency brought in to do so, should be more than a match for

True, the Bank has made big mistakes: over rural development lending, for example, the sustainability of the commercial bank lending of the 1970s and the durability of the "energy crisis". It is as important for the Bank to admit - and learn from - such mistakes as it is to stand up for itself. But the development record taken as a whole is not so bad. It can, and must, be defended.

## Less bureaucratic

Yet if the Bank is to defend both itself and its core mission, it must also change. First, it must become leaner and much less bureaucratic. A start has been made on this. The recent proposal by Mr Lewis Preston, the Bank's president, to reduce the administrative budget by 6 per cent a year in real terms, will increase the pressure. Second, it must be more flexible. The one certainty in its environment is uncertainty. How many, just five years ago, foresaw the collapse of the former Soviet Union or the torrent of private capital pouring into middle-income developing countries? Third, it must be more aggressive with its critics, more aggressive with its clients, and also more aggressive, when appropriate, on behalf of its clients. The Bank cannot be all things to all people. If, for example, it believes there ought to be more generous official debt-relief for Africa, it should say so, loudly and clearly.

There is much debate inside and outside the Bank about what sort of future it might have. Some believe the prospect is one of gentle decline, as its activities are progressively limited to Africa and South Asia. Others believe it could become an integrator of ideas and money world-wide, even in countries that do not need its direction financial assistance.

Such choices do not yet have to be made. The challenges of eliminating extreme poverty and helping to integrate more of humanity within the global market economy remain huge. Notwithstanding its faults, the Bank represents a unique - and irreplaceable - repository of experience, skill and financial resources, dedicated to these tasks. Those assets must be used effectively. Their appropriate use must also be vigorously defended. These are the twin challenges confronting Mr Preston.

the Prison Officers' Association, one of Britain's few remaining obstructive trade unions. Mr Derek Lewis, the director-general of the service, has made an energetic start. He has introduced administrative structures, and advanced plans for transferring the management of specified prisons to private contractors.

## Lax security

On paper, this should enable the public to see who is to blame when things go wrong. In practice it does not always work that way, as the POA does not have the opportunity to point out. Was the decision to move convicted IRA terrorists back to Ulster "operational" and therefore Mr Lewis's to make or "policy" and therefore Mr Howard's responsibility? Who is to blame for the lax security at Whitehall prison, where IRA prisoners have received guns, Semtex, and detonators? Is it the new governor, for inattention to detail, Mr Lewis for his regulations, or the Home Office for its rules?

The inquiry being conducted by Sir John Woodcock may provide a managerial answer to these questions, but it is the political reality that counts. The days when ministers might be expected to resign over any lapse in any corner of their departments are gone. Yet the creation of arm's-length agencies does not absolve the politician in charge from a duty of oversight. A good chairman leaves day-to-day control in the hands of a chief executive, but keeps antennae out at all times. If the agency system is to work with the requisite degree of transparency, this principle should be clarified.

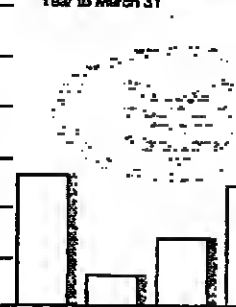
It is not axiomatic that the above history requires the sacrifice of Mr Howard. His presence in the cabinet is partly accounted for by his association with the Conservative right, and partly by his representation of Euroscepticism in one of the three high offices of state - the other two, the treasury and the foreign office, being filled by known pro-Europeans. Against that he has presided over the loss of the Tories' advantage over Labour as the party of law and order. It is the prime minister's task to decide whether, on balance, Mr Howard's continuation in office is an asset to the government or a liability to his party.

## Irish banks: the good old days



## Bank of Ireland

Pre-tax profits  
Year to March 31



## Allied Irish Banks

Pre-tax profits



## Assets in Republic of Ireland (1993)

Bank of Ireland 7.58  
Allied Irish Banks 8.42  
TSB Bank 1.23  
National Irish Bank 0.60  
Woodchester Investments 1.50  
Ulster Bank 3.70

# Challengers jostle in the queue

Competition from a 'third force' could soon disrupt the comfortable ways of Irish banking says John Gapper

such as the TSB, are seeking backing from sympathetic acquirers. Meanwhile, barriers which stopped competition among banks building societies and life insurers have broken down, leaving the big banks to protect their oligopoly. There is more to come for the two banks, which between them account for 70 per cent of banking in the Republic of Ireland, and nearly half of financial services. Next month, advisers are likely to set out how the government could auction TSB Bank, with assets of £12.2bn. This may create the "third force" in Irish banking, called for by the ruling coalition of Labour and Fianna Fail when it was elected in 1992.

The government originally planned to merge TSB with two small government-owned finance houses for agriculture and industry. But instead of this unwieldy state-controlled group, a large and vigorous bank could emerge. The proposal prompted an approach to TSB earlier this year by National Australia Bank. It agreed with the TSB's trustees a £102m offer to merge it with NAB's National Irish Bank.

This led to a counter-offer from National Westminster Bank's subsidiary, Ulster Bank. If NatWest wins an auction, it might try to buy National Irish as well, creating a bank with £55.5bn of assets. This would be big enough to challenge AIB and Bank of Ireland. "If the government wants a real third force, then we are the right partner," says Mr Ronnie Kelly, Ulster Bank's chief executive.

Yet even without a third force, Irish banking is entering a period of stiffer competition and consolidation. The £183m flotation of the Irish Permanent Building Society next month will give the society access to capital markets so that it can make acquisitions. The two big banks are building up capital after a troubled period. Smaller players,

the UK's GDP. Yet the prospect of steady, low-inflation growth, is very attractive for banks. It lessens the risk that bad debts will compress interest margins, as they have done in other countries. "I cannot remember a time when we have had such a high quality of loans," says Mr Mulcahy.

These factors have given the two banks a solid, profitable base. They have needed it in the past few years as they have struggled to clean up costly errors abroad. Both expanded in Britain in the 1980s too aggressively. Both have had to work out bad debts on corporate lending, and have now refocused their businesses on banking for Irish expatriates, and forms of secured lending such as residential mortgages.

Bank of Ireland's experience in the US (where AIB managed to avoid trouble) was even worse. It lost a total of £180m over four years as a result of the New England real estate crisis, after buying First New Hampshire in 1988. "Our timing there was especially unfortunate. We bought just before the bubble burst," says Mr Molloy. The US subsidiary has now turned the corner, making a £13m profit in the year to March.

Irish profits, and recovery overseas, have now prompted the banks to talk of renewed expansion abroad. AIB has made the loudest noises, talking of both US acquisitions to reinforce its Baltimore-based subsidiary First Maryland Bancorp, and perhaps buying a British building society. The banks re-

son that they cannot simply remain in Ireland if they are to compete alongside the emerging pan-European banks.

Yet even with the cash to spend, overseas expansion is not a simple matter. Both in Britain and the US, banks are bidding around twice the book value of smaller banks and societies to take them over. This makes it hard to achieve their required return on investments, even if they avoid pitfalls. "We will keep our money in our pockets if we have to. We are not going to make a purchase at any price," says Mr Mulcahy.

They may need to husband resources for the battle at home. Signs of this have emerged in the savings market, where the banks have narrowed margins by offering depositors higher rates. Mr Roy Douglas, chief executive of Irish Permanent, says that lending margins are also under pressure. "The banks are finding the mortgage market very attractive, and there is a lot more competition than a year ago," he says.

The big banks accept that competition will inevitably erode interest margins. In response, they are trying to boost their earnings from other sources. An obvious source of added income is fees and charges. These are state-controlled, although the banks can negotiate increases. Irish banks gain a lower share of their income from fees than those in countries such as Britain, despite widespread criticism by consumers.

The other possibility of added

income is to sell more to their customers. The competition in the mortgage market is one sign of this: banks have also developed life insurance arms. "We have a very strong base that we have not always used. If we can market products better to our existing customers, it will have a powerful effect," says Mr Brian Wilson, director of AIB's Ireland division.

Yet banks are unlikely to be able to sustain their returns solely through adding to income. This will put pressure on them to cut costs, either by reducing staff and branches, or by taking over others and removing duplication. Such a process has been taking place in the US and other European countries. It will be harder to achieve in Ireland, where there is 15 per cent unemployment, and strong resistance to job cuts.

The possibility of cuts has already dogged part of the government's original proposal for a third force. The staff of Agricultural Credit Corporation - one of the two finance houses involved - protested at the potential cost of being merged with the Industrial Credit Corporation. It will also affect the TSB sale; bidders are likely to have to make pledges on jobs as part of their offers.

Mr Craig McKinney, chairman of the biggest Irish finance house, Woodchester Investments, says that a bid for TSB is only attractive if it can be rationalised. "To buy it with your hands tied behind your back does not make sense," he says. Without such cuts, his new owner may be unable to undercut the big banks' charges, which would undermine the original rationale for selling the state banks.

Such considerations are unlikely to hold out against back Lord Alexander. NatWest's chairman, has stressed his bank's intention to preserve jobs if it wins an auction. Yet such pledges will not hold indefinitely. By the time the Irish banking market has consolidated, more than a few politicians and former bank clerks could be talking with nostalgia about the days before banks started to compete.

Jancis Robinson visits Burgundy where heavy rains have badly affected the wine harvest

# Wet, wet, wet

The vineyards are a mire around Meursault in Burgundy. At lunchtime, low-paid pickers stomp into the village, clad in mud-spattered oilskins and rubber gloves. The village streets throb with tractors pulling loads of sodden grapes, all too often tinged brown with rot and covered with tarpaulins in an attempt to keep at least the last hour's drizzle from diluting the juice, and therefore the wine.

On backstreets, medieval courtyards are filled with the sound of a heavy-duty hose, desperately trying to keep the wine presses, trailers and hods clean. The mood is sombre.

The French wine industry badly needs a top quality wine harvest. Wine consumption in France has been plummeting, and French wine exports have fallen nearly 20 per cent in the last five years.

International rivals have been increasing their market share and undercutting French vineyards on prices - Chile, Argentina and South Africa are proving particularly fierce competitors, according to a recent report on the wine industry by Insee, the French national statistical office.

Together with the recession, these problems have pushed French vinegrowers' prices steadily down since 1991, says the Institute, with high quality *vins d'appellation* and champagnes the worst affected. There has been some improvement this year, says a researcher at Insee: "There is a strengthening of demand from French consumers, and a more marked improvement in some international markets," he says. "But there is still a long way to go to get back to the levels of a few years ago." Above all, France does not need another year of declining production. Total production fell by 19 per cent in 1993, thanks, largely, to bad weather. "The harvest was greatly affected by rain," says Insee.

This year, Burgundy, like the rest of France, enjoyed an unusually hot summer. At the end of August the grapes were riper and healthier than usual. It seemed as though this could be just the vintage France needed, but farmers such as these know better than to bank on the weather.



In the first week of September the rain set in, and continued almost daily to make this the most miserable vintage since 1984 according to optimists - and since 1947 according to pessimists.

At present, the quality of the eventual wines can only be guessed at.

There will probably be some good white wines, for rot is by no means disastrous for white grapes and the acidity levels will please those who like their white wines sharp. The best sites and best kept vineyards, such as Dominique Lafon's Meursault-Perrieres, can boast tiny relatively healthy grapes which should yield modest amounts of concentrated wine.

It is the red grapes which will take the strain of all this rain, particularly where yields are high. Rot destroys pigment and the skins - so necessary to red wine making - can taint the final wine. This will be one of those (many) vintages about which the wine trade will be able to boast "the strictest selection is necessary; buy only from a reputable merchant such as ourselves".

Those who are already practising "organic" and even "biodynamic" chemical-free vine-growing techniques are boasting of markedly healthier grapes than their neighbours in such damp conditions.

One prominent example is Lalou Bize-Leroy, "the queen of Bur-

gundy", whose vineyards this year were treated not only to ground netles applied according to phases of the moon but also to various tisanes applied from a helicopter.

Her traditional wooden open-topped (computer-controlled) fermentation vats are full of healthy, small bunches of Pinot Noir grapes which will doubtless become yet another vintage of Domaine Leroy bottles for the world's collectors to argue over.

This is little comfort to a bedraggled stream of tourists, cycling through the vineyards on pre-arranged routes from one three-star hotel to another. Small groups were last week wheeling around the village of Meursault, mystified that in the frenzy and gloom of the picking season, no one could find the time to sell them a bottle or two of world famous Burgundy.

But while the tourists trudging around France's wine region in the rain, or loitering longer than they would choose in their hotel rooms, may have been miserable, this has only been a damp holiday. For the vinegrowers the loss will be in their income, and in some cases, their reputations.

## Learning by doing

Hardly a vote of confidence, one would think, when OECD secretary general Jean-Claude Paye's *chef de cabinet* quits just when Paye himself is struggling to hold on to his own job.

Not a bit of it, apparently. It is with Paye's express blessing that John Llewellyn leaves the government-owned think-tank in Paris's elegant 16th *arrondissement* to become top economic guru in Lehman Brothers' London office.

The embattled boss, it seems, has long felt that the OECD could improve its analysis of financial flows. The hope is that Llewellyn, now 50, may one day return to build up the expertise in that area. It seems pretty unlikely, though, that Paye will be around to witness any such return himself. With his contract expiring this Friday, he is now supported for a third term by a slim majority of the OECD's 25 member countries. But that is of little use when the US shows no sign of changing its mind over the intention to veto the incumbent's reappointment.

## Stars and swipes

John Major has been accused of many things. But it seems a bit rich that the UK prime minister should

be expected to carry the can over the OECD impasse.

Some frustrated member states claim that America would never be holding out against a third term for Paye had not Major set a precedent by vetoing Jean-Luc Dehaene, the Belgian prime minister, for presidency of the European Commission.

But, as the Japanese can surely testify after suffering months of battery at the hands of US trade negotiators, the Clinton administration hardly needs lessons from other countries on how to go into battle to defend its own economic interests.

## Docks in the dock

John Lenanton, a family-owned timber processor and one of London's oldest industrial companies, is on the point of abandoning its home of the past 157 years. A few well-chosen words from the chairman will be in order, no doubt?

Not a bit of it. John Lenanton, great grandson of the founder, cannot wait to exchange the Isle of Dogs in Docklands for a new base in leafy suburban Berkhamstead. After 44 years with the company, he will "walk away from the area and never look back".

No longer using the Thames to transport its timber, the company is poorly located as regards the bulk of its customers in the construction industry. The principal effect of



fronting on to the river these days is that the masonry is in constant need of attention.

Fair enough, but Lenanton adds that he has experienced almost no advantage from the wave of investment in Docklands, while the locals are dismissed as a "load of whingers".

A lack of sentimentality not presumably applauded by the London Docklands Development Corporation.

## Canary silenced

The Corporation of London, meanwhile, is cock-a-hoop that BZW and its 4,000 employees have been

dissuaded from setting up shop in Canary Wharf. Currently scattered around the City in numerous buildings, the investment bank had been poised to combine its operations under one roof on the Isle of Dogs. But a memo was circulated to staff at the end of last week to the effect that "the overall economics" of the move would not prove "sufficiently attractive".

The Corporation, meanwhile, has worked out that, if an organisation has to pay its people incentives worth, say, £2,000 to move to this less than fashionable part of town, it is effectively spending £10 more per square foot in rent. A nifty little calculation that has apparently been drawn to the attention of BZW's chairman Sir Peter Middleton fairly recently.

## Pigeon spy

As any self-respecting pigeon knows, Switzerland is not a bad place to fall sick or get hit. Any bird found injured while overflying the country is dispatched to the army's pigeon base in Bern, where it is revived, fed and sent on its way. But not for long.

The Swiss army has decided to send its 30,000 carrier pigeons packing - and with it the international rescue service.

For 77 years, the birds have rendered solid service in field communications. They take a mere 10 days to train; they have proved highly reliable in all weathers and

over varied terrain; and they cannot be tapped or jammed.

They are even well camouflaged. Civilians are indistinguishable from soldiers, the only clue being that the former are sent on mission in pairs. There has never been a case when at least one has not made its destination.

While the feathered fowl normally made flights between just two command posts, they had been working up to tackling the greater challenge of three-way journeys.

Disbanding the troop, meanwhile, saves SF600,000 a year - which is hardly a fortune. But technology wins the day. The 266 pigeon trainers will be immediately redeployed, while the pigeons have a year's respite.

Thereafter a lucky few may just be adopted by the federal civil service.

## English as spoke

Look out for a hot new journal called Financial Engineering and the Japanese Markets, soon to produce its first number.

The official publication of the Japanese Association of Financial Econometrics and Engineering, it promises two unmissable research papers.

One treats 'Asset Price Prediction Using Seasonal Decomposition', while the other is all about 'Estimating Unknown Join Points: Determination of the Yen-Dollar Exchange Rate'.



## US officers meet Haitian leaders after gun deaths

By James Harding  
in Port-au-Prince and  
George Graham in Washington

Haiti's military leaders met US officers yesterday after the first deadly conflict since US troops landed a week ago left a reported 10 Haitians dead and a US sailor slightly wounded in the northern city of Cap-Haitien.

President Bill Clinton, who will address the UN General Assembly today, regretted the loss of life, but warned that US troops would continue to respond to hostile action against them.

The conflict on Saturday evening around police offices in Cap-Haitien has highlighted difficulties surrounding the intervention, which has been carried out like a combat operation in hostile territory, in spite of an agreement to work with Haitian military authorities.

The incident may also prompt

international criticism of the US over what some might see as an excessive use of force.

However, in the US, Senator Sam Nunn, the chairman of the Senate armed services committee and a member of the former President Jimmy Carter's team which negotiated the Haitian generals' agreement to leave power, said there might be more such incidents. "This is the first bad incident we've had involving directly, American troops, but it won't be the last... It's regrettable, but remarkable we haven't had more," he said.

Under an agreement reached last week, the military government, which seized power in a bloody coup in September 1991, promised to co-operate with US forces to restore elected president Jean-Bertrand Aristide.

General Raoul Cédras, Haiti's military leader who has agreed to step down by October 15, was

flown to Cap-Haitien yesterday with Mr William Swing, the US ambassador, and General Henry Hugh Shelton, the US commander of the Joint Task Force in Haiti.

The trio were understood to be meeting Haitian military and police officials to ensure their co-operation with US forces in the area and to reduce tension after Saturday night's killings.

A US marine patrol is understood to have opened fire when Haitians at the police headquarters apparently fired on their unit, injuring one naval translator in the leg. The marines then "entered the first floor of the building and cleared that up", according to US embassy officials in Port-au-Prince.

Ten Haitians were reported killed and five others detained. US officials added that they had recovered two 38 revolvers and one M1 rifle from the dead.

## Italian fashion moves from catwalk to courtroom

By Robert Graham in Rome

As the Italian press has rubbed home this weekend, the famous names of fashion are having to get used to a new style - the style of justice.

The name of Giorgio Armani has now been added to a growing list of fashion designers who have fallen foul of an inquiry by Milan anti-corruption magistrates into pay-offs to the Guardia di Finanza, the financial police.

A total of 14 designers are believed to be under investigation for paying Libia (548,000) in order to ensure "friendly" tax inspections of their accounts. Those involved include the Versace group, Krizia (designer Marcuccio Mandelli) and Gianfranco Ferré.

The probe comes at an embarrassing moment for Italy's fashion business, with the annual autumn shows due to start in Milan at the beginning of October.

On Saturday Mr Armani, who has just celebrated his 60th birthday, was briefly interrogated by Mr Antonio Di Pietro, the best known anti-corruption magistrate. Mr Oreste Dominioni, his lawyer, subsequently told journalists Mr Armani had paid Libia during a tax inspection in 1990 to members of the financial police.

The payment was made under duress, Mr Dominioni said. This is the same defence employed by every businessman caught up in this investigation - from steel magnate Alberto Falck to Mr Paolo Berlusconi, the prime minister's brother.

Mr Armani's appearance before Mr Di Pietro was quickly followed by Gianfranco Ferré, the architect turned designer. He declined to comment on his interrogation, but judicial sources said he admitted paying over £300m, also in 1990, at the time of a tax inspection.

Mr Armani and Mr Ferré are among the most successful Italian designers. Armani's 1993 worldwide turnover was £860m, while that of Gianfranco Ferré, who designed the Italian World Cup football team's outfit, was close to £900m.

The company is less the damage to the image of Italy's profitable and dynamic fashion business and much more where the magistrates will turn their attention next. More than 50 members of the Guardia di Finanza have been arrested, including a general and an official working with Mr Di Pietro. Three have committed suicide over the past three months. Most of these officials are now co-operating under plea-bargaining deals.

It would seem that the magistrates want to remind the public with these easily identifiable figures that anti-corruption investigations have restarted with vigour after the summer break.

## THE LEX COLUMN

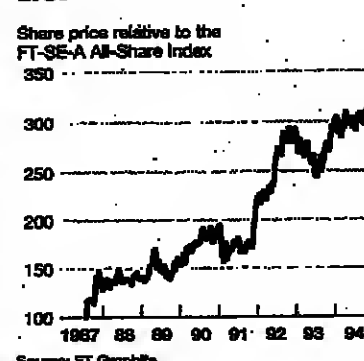
## Waiting for the Fed

The need for a rise in US interest rates is becoming increasingly apparent. The bond market's continuing anxiety about inflation appears justified by the most recent data on capacity utilisation and industrial production. While inventory adjustments may slow the economy during the current quarter, growth is likely to rebound to above 4 per cent in the fourth quarter. That is well above the Fed's 2.5 per cent target. The only factor that might delay an interest rate rise immediately after the Federal open market committee's meeting this week is November's Congressional elections. An increase soon after these would then be inevitable.

The more important questions are how high interest rates need to go to slow the economy down to the 2.5 per cent growth rate favoured by the Fed and how much damage such an increase will wreak on the corporate earnings and the equity market. Economists are divided. Some argue for no increase. Others believe rates will need to go as high as 7 per cent. This lack of consensus has been a primary factor in the markets' instability.

The bond market would be more likely to calm down if the Fed decided on a full percentage point rise. A half point rise would simply leave the market waiting for more during the spring. As for equities, this year's earnings would not be affected, but the high levels of corporate and private debt in the US would undoubtedly lead next year's profits to under-shoot expectations. The price of knocking inflation on the head could be a sharp correction on Wall Street.

### BAA



reform and the separate deceleration in growth of the world drugs market have cast a general pall over the industry. Since 1991, biotech stocks have underperformed the Standard & Poor's 500 by nearly 50 per cent.

This does not mean the death of the US biotech industry, but it heralds rationalisation. Costs can be cut and ambitions reined in. For those making good scientific progress, alternative sources of funds are available, particularly from the drugs industry. Those incapable of raising additional money must merge. The sector's long-term future remains bright. Healthcare providers remain willing to prescribe expensive novel treatments if they reduce overall costs. The rewards for those successfully developing innovative drugs have never been greater.

### BAA

The temptation for BAA to try to replicate its winning UK formula in overseas markets seems, at first glance, irresistible. BAA's expertise in the low-cost construction, retail management and controlling of airports is clearly in demand. Australia's airport privatisation, for which approval at the Labor party conference this week would clear the way, is unlikely to be the last programme initiated by a cash-strapped government turning to the private sector to fund airport infrastructure.

But so far the benefits of BAA's internationalisation have proved elusive. Its management contract at Pittsburgh has, in just one year, lifted spending from less than \$4 per passenger to more than \$6, but the operation adds little to BAA's bottom line. The danger is that by offering such consultancy services BAA sells off its blueprints for success. To make a good

return the company needs to take equity stakes. But there are few countries willing to cede control of their airports to foreigners.

In any case, BAA does not need to internationalise. The group expects passenger volumes at its UK airports to increase 4 per cent a year, lifting passenger numbers at Heathrow alone from 46m presently to 80m by 2016. Passenger spending can also be raised. In spite of BAA's undoubted skill, most of its terminals still yield less than Singapore's Changi or Amsterdam's Schiphol. The group is busy expanding retail space by 80 per cent. The first stage, at Heathrow's terminal four, raised spending per passenger by 30 per cent. Given such opportunities at home, the rewards overseas will have to be alluring to make them worth the distraction.

### Indian telecoms

A whirl of controversy overhangs telecoms offerings from the Indian subcontinent. Pakistan Telecom vouchers were offered to international investors earlier this month despite there being no proper prospectus and with Jardine Fleming, the global co-ordinator, unable to go through the normal due diligence process. Even so, \$90m of vouchers were snapped up.

Now India is wondering whether to revive the sale of shares in VSNL, the international operator whose \$10m offering was pulled in May when investors refused to pay the price the government demanded. Ministers, who held out for a price set before global equity markets dived in February, were condemned for failing to understand that prices must be fixed in the light of market conditions. Salomon Brothers and Kleinwort Benson, their bankers, were also criticised for failing to educate their client adequately.

Such neglect certainly carries a price. Investors, who have once witnessed unpredictable behaviour will worry about further political surprises if they buy VSNL stock. Set against this is the group's undoubted appeal as an investment. Not only does India - with only eight lines per thousand people compared with a global average of 100 lines - have great scope to develop its market; international traffic, over which VSNL has a 10-year monopoly, is the fastest-growing and most profitable part of the market. Provided ministers do not try again to over-price the issue, such attractions should persuade investors that buying shares is worth the risk.

## Germans fend off Polish gnomes

Continued from Page 1

can apply for the licence to copy and produce a German garden gnome. Mr Franz Sikora, an official at the patent office, said: "The Poles could pay a symbolic price for the licence by seeking permission from those German firms who hold the copyright. And then they would be free to sell their gnomes here in Germany."

German gnome manufacturers, however, are not keen on selling their copyright. Heissner, one of Germany's oldest companies specialising in garden gnomes, believes it is a question of preserving quality.

"We have been making and painting our gnomes by hand ever since we started back in 1880," said Ms Helga Naueckert, for Heissner. "We sell about

700,000 garden gnomes each year. Our gnomes are expensive. The 70cm-high ceramic gnomes cost DM225 and the plastic ones cost between DM100-DM140. But people pay for quality. I am not so sure this quality can be sold to the Poles."

Ms Heissner admitted, however, that the Poles were attempting to introduce some competition into the market. "Of course it is a question about protecting our copyright. But it is also about the market being exposed to more competition."

Some Polish gnome manufacturers have tried to get around the obstacle by selling their gnomes on the Polish roadside. "I cannot get my gnomes into Germany any more. So I sell them on the roadside," said Mr Roman Olba, a gnome exporter who buys his gnomes

from the Nowa gnome enterprise in Nowa Sól. These German day-trippers are considered crucial in helping to correct Poland's trade gap - \$2bn in 1992.

"If we can't sell the gnomes in Germany, the Germans will come to Poland to buy them," said Mr Jakub Szlachta, deputy director of Poland's central planning office. "Over 40m Germans crossed into Poland last year. I reckon they each spend an average of DM50. This has already helped reduce our negative trade balance to \$100m last year," he explained.

That is little comfort to Mr Olba. "I can't live off selling the gnomes on the Polish roadside... I now have to drive to the Czech Republic and make my way over to Austria and Switzerland where I can earn hard currency. But that's a long drive."

## UK suggests gold sale

Continued from Page 1

gold, which pays no income. The UK argues the proceeds could be reinvested in income-earning assets, with the income devoted to the debt plan.

Mr Clarke's acknowledgement his plan could only be accepted only after negotiations. The Trinidad terms, first proposed in 1990 by Mr John Major, now UK prime minister but then chancellor, are not fully accepted, but nearly \$3bn of debts have been written off under the terms.

The scheme would require approval by 85 per cent of IMF members.

After the meeting, Mr Clarke will go to the IMF annual meeting in Madrid, where the UK and the US will press for a special allocation of Special Drawing Rights (the IMF's reserve currency) to help poorer nations.

## PepsiCo 'to save \$100m'

Continued from Page 1

ent PepsiCo businesses, particularly in newly-developing eastern European markets, to share distribution costs, office overheads and staff training. It might even put differently-branded restaurants on adjoining sites.

Mr Peter Heert, the European head of KFC, said that if PepsiCo's efforts in Europe were successful then "other parts of the PepsiCo world", including businesses in north and south America, and Asia Pacific, could follow suit.

Europe is becoming an increasingly important market for PepsiCo. About 80 per cent of the company's profits are generated in the US at present, but it hopes to reduce this to about 50 per cent over the next five years.

Arch-rival Coca-Cola is dependent on the US for just 20 per cent of its profits - a fact which

has helped to shield it from the effects of stiff competition in the home market.

Mr Paul Steel, who heads Pepsi-Cola's sales and marketing in Europe, said: "It's potential that we're only just beginning to expand. We've identified some massive opportunities there."

The company's different businesses have a history of separate development, said Mr Wayne Mailloux, president of Pepsi-Cola Europe: "We tend to operate with very autonomous, decentralised divisions, so much so that our customers do not really know us for all of the various dimensions that we represent."

He dismissed the idea that increased centralisation might dampen the commercial zeal of individual divisional heads. "We're never going to allow ourselves to become a government bureaucracy. We will always put entrepreneurial drive first."

## FT WEATHER GUIDE

### Europe today

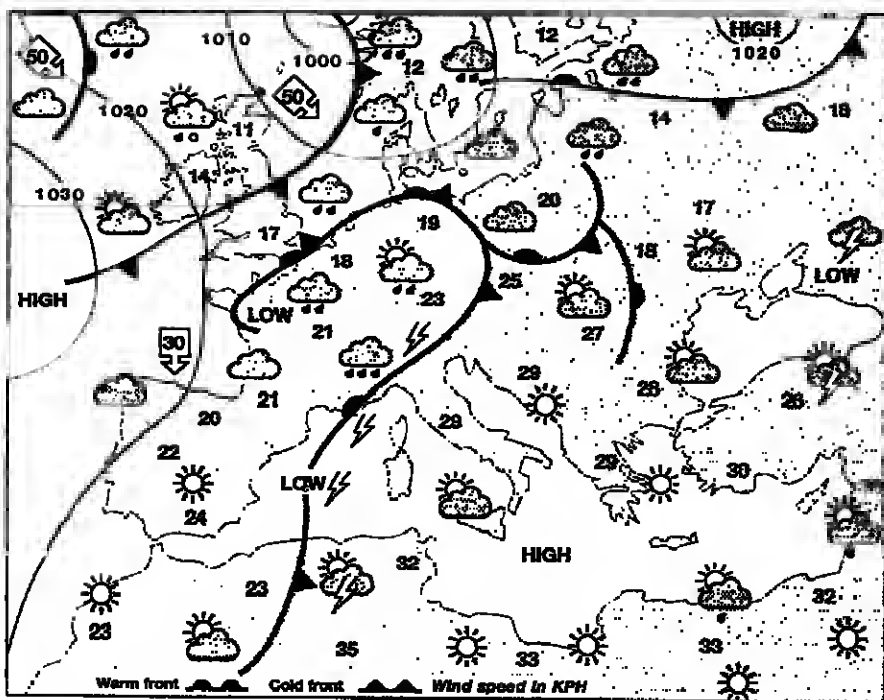
A frontal zone, separating warm and sunny conditions over Italy and Greece from rather cool and changeable weather in France and northern Spain, will again cause heavy downpours and thunder storms in northern Italy and the southern Alps. A deep low pressure area will develop over the southern Norwegian Sea. The cold front associated with this low will bring showery rain to western Norway and the eastern UK. Behind the front, cool and gusty showers will cross the Scottish Highlands. An old frontal zone will linger over western France and the Low Countries and as a result, it will be cloudy with rain in places. Scandinavia will have rain in the south, but bright sunshine in the north.

### Five-day forecast

High pressure west of the Bay of Biscay and a deep low near the Norwegian coast will cause north-westerly winds to bring much cooler conditions into north-western Europe. There will be plenty of showers in coastal areas. The north-facing slopes of the Alps will have rain at times. Heavy rain and thunder will spread east from northern Italy into Croatia. Heavy thunder storms will also affect the east coast of Spain. Portugal and south-eastern Europe will stay sunny and quite warm.

### TODAY'S TEMPERATURES

Location	Temp	Location	Temp
Abu Dhabi	sun 37	Beijing	show 25
Accra	sun 37	Belfast	show 13
Algiers	show 27	Berlin	sun 22
Amsterdam	rain 15	Bombay	sun 30
Athens	sun 30	Buenos Aires	sun 25
Atlanta	sun 25	Budapest	sun 25
B. Aires	rain 15	Chengdu	cloud 15
B. Ham	cloud 14	Cairo	sun 28
Bangkok	rain 32	Cape Town	sun 17
Barcelona	thund 22		



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

Location	Temp	Location	Temp	Location	Temp
Caracas	sun 31	Frankfurt	sun 24	Rangoon	cloud 31
Cardiff	cloud 15	Glasgow	sun 22	Rio	sun 27
Cebu	sun 31	Hong Kong	sun 31	Rome	sun 29
Chennai	sun 31	Iskenderi	sun 31	S. Africa	sun 25
Chicago	rain 15	Jakarta	sun 31	S. Korea	sun 24
Cologne	show 20	Jersey	sun 24	Singapore	sun 31
Dallas	sun 25	Kuala Lumpur	sun 31	Stockholm	cloud 13
Darwin	sun 31	London	sun 18	Strasbourg	sun 22
Delhi	sun 31	Luxembourg	sun 18	Sydney	sun 20
Dubai	sun 31	Madrid	sun 24	Taipei	sun 22
Dublin	sun 15	Moscow	sun 15	Tokyo	show 27
Durban	sun 28	Munich	sun 15	Toronto	sun 18
Edinburgh	sun 14	Nairobi	sun 24	Vancouver	sun 18
		Osaka	sun 24	Venice	show 24
		Paris	sun 18	Vienna	sun 24
		Perth	sun 23	Warsaw	sun 20
		Prague	sun 23	Washington	show 22
				Wellington	show 12
				Winnipeg	sun 21
				Zurich	sun 20

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# FINANCIAL TIMES COMPANIES & MARKETS

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Monday, September 26, 1994

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## MARKETS THIS WEEK



**MARTIN WOLF:**  
**ECONOMIC EYE**  
 The growth of single-parent households and second families was only made feasible by the welfare state, Martin Wolf argues. The Child Support Agency was an attempt to shift this burden back on to fathers. But there is not enough money. Page 20



**BRONWEN MADDOX:**  
**GLOBAL INVESTOR**  
 European markets appear determined to salvage some cyclical stocks from the implications of rising interest rates. In periods, such as the present one, where rates are pushed up by higher than expected growth in output, cyclical stocks can generate earnings surprises, so the case goes. The attempts are valiant, but remain vulnerable to anything but a limited rise in rates. Page 20

**BONDS:**  
 Encouraging fundamentals, including lower than expected inflation data and another fall in M3 money supply growth, lent support to the long end of the German yield curve last week. The recovery remains vulnerable to possible setbacks in the US Treasury market, the German federal elections and the forthcoming wage round. Page 22

**EQUITIES:**  
 This is the last week of the third quarter. On Wall Street, sentiment will hinge on the outcome of tomorrow's Federal Reserve policy session. In London, a three-month gain in the FT-SE 100 has been whittled down to not much more than 100 points. The index has to move quickly in the final quarter to meet many year-end forecasts. Page 23

**EMERGING MARKETS:**  
 If Brazil elects Fernando Henrique Cardoso as president next week, privatisation may be speeded up and fiscal reforms could lead to strong growth for the equity market and a big increase in capital-raising by Brazilian companies. Page 21

**CURRENCIES:**  
 Possible interest rate rises and trade negotiations will be the key factors motivating the markets this week as the dollar comes under scrutiny. Page 21

**COMMODITIES:**  
 Analysts will be anxious to see whether leading contracts on the London Metal Exchange are cooled to resume last week's run-up or enter a shake-out. Page 20

**UK COMPANIES:**  
 Housebuilder Charles Church is to have a further £50.7m of debt written off to aid its recuperation and eventually allow it to be floated. Page 18

**INTERNATIONAL COMPANIES:**  
 Standard & Poor's has downgraded its long-term debt ratings on Daimler-Benz and related entities to AA- from AA. Page 19

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## This week: Company news

### FIAT

## Profitability in sight after last year's huge losses

On Thursday, Fiat, Italy's biggest private-sector industrial group, will publish its half-year results, providing the first concrete indications of how it is working towards the objective of full-year profits outlined by its Gianni Agnelli, group chairman, at the shareholder meeting in June.

Last year, the group revealed a £96bn (£620.8m) loss for the first half - which became a record £1,783bn (£1,146bn) loss in the full year - and a complex cash-raising plan worth a total of £5,000bn.

The group's shares fell sharply afterwards.

This year's half-year announcement should be less dramatic. Analysts are more or less in agreement that the group will show a small pre-tax profit for the first half.

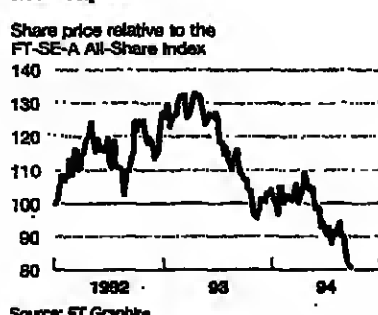
Italian buyers of Fiat cars - which include the Alfa Romeo and Lancia brands - have held back during the first nine months of the year, first because of political uncertainty and then because of expectations, now all but eliminated, that the Italian government might push through incentives for car purchases.

However, Fiat has still managed to increase its market share in Italy, with the help of a competitive exchange rate which has deterred buyers of rival foreign marques, in particular Japanese.

Exports should also show strong growth, for the same reasons, with the Fiat Punto, launched last year, leading the recovery.

The prospect of good results is already in the Fiat share price, according to analysts, and investors may be more concerned next week by the Italian government's efforts to push through a 1995 budget.

### Inchcape



Source: FT Graphix

## Analysts have a yen for reassurance

So far, 1994 has not been a happy year for Inchcape, the international motors, marketing and business services group. Its share price has fallen by a third since January, and analysts will be anxious for reassurance today when the UK-based group reports results for the six months to June 30.

Currency has been the main bugbear. Inchcape does a lot of its business in and from the Far East and the strength of the yen against both the dollar and sterling will adversely depress its results. The Japanese recession hit the group's marketing activities, which also suffered when the Chinese authorities last year imposed austerity measures to slow the pace of development in their southern provinces.

Inchcape has also been ruing an FT-SE Actuarial re-classification which led to its being moved from business services sector to vehicle distributors.

It was concerned over being put in a sector which mainly comprises UK distributors, when only about 15 per cent of the group's total profits come from motors in the UK. Sure enough, when news of the disappointing level of new car registrations in the UK during August hit its new sector this month, Inchcape was clobbered along with companies which trade only in the UK.

Analysts now expect pre-tax profits of about £115m-£120m against £130m (£205.4m) but will be more interested in the outlook for the second half.

### OTHER COMPANIES

## Cyclical subsidiaries make for sunnier SGB

Société Générale de Belgique is likely to post better first-half 1994 earnings today following a recent improvement in its rating by many analysts.

The earnings gain is likely to be due mainly to better results at the flagship holding company's more cyclical subsidiaries, analysts said.

An estimate by Banque Bruxelles Lambert, sees SGB's first-half group net rising nearly 60 per cent to BF6.4bn (£901m) from BF4.4bn in the first half of 1993.

First-half current profit is expected to rise 28 per cent to BF4.6bn, from BF3.7bn in the first half of 1993.

SGB will consolidate about BF1bn of extraordinary gains at non-ferrous metals unit Union Minière.

Stena Line: The world's biggest ferry operator, will present figures for the first eight months on Wednesday, showing it is firmly on track to exceed 1993's profit of SKr473m (£37m) for the full year. Higher volumes and the delayed start to the Channel Tunnel have enabled the group's UK operations to make progress despite a cross-channel price war. In Scandinavia, cost-cutting has helped to offset the impact of lingering recession and the weak Swedish krona.

Banca Commerciale Italiana: The Italian bank is due to report on Wednesday half-year figures covering the first months of operations.

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Money market funds are catching on in Germany, writes Andrew Fisher

## Novelty of the short-term

When German investors are offered champagne and caviar to tempt them to bring in new customers, something new must be up in a country where financial innovation proceeds cautiously rather than swiftly. In Germany, investors tend to be very much in the safety-first mould.

The novelty is money market funds, now coming steadily on to the German financial scene since legal barriers to their sale were dropped last month. About 40 such funds have either been approved or are in the pipeline.

With increased familiarity, investors will become blasé about this new - for Germany - investment medium, offering immediate access to their money at interest rates higher than on fixed-rate deposits.

To steal a march on its rivals, one big German bank set up two funds in Luxembourg while awaiting regulatory approval to base them in Germany.

Commerzbank's funds - with minimum deposits of DM20,000 and DM100,000 for private and professional or corporate investors - have attracted nearly DM8bn (£3.2bn). Competitors tend to be disdainful about Commerzbank's marketing methods, including television advertising as well as its free champagne and caviar offer for clients introducing new business. But the bank, whose funds yield just more than 4 per cent against 3.5 per cent for term deposits, sees them as a way of raising new customers.

Clearly, much of the money going into the funds comes from the bank's own fixed-rate deposit accounts, but Commerzbank reckons at least a quarter of the inflows represent new money.

Other countries have had money market funds, which invest in short-term government, commercial and other paper, for some time. In the US, their volume totals nearly \$600bn, while French funds have reached \$250bn. In Germany, however,



their significance goes beyond their likely attraction to investors.

Their introduction represents an enhancement to the evolving status of Germany as a financial centre.

"This is more than a small step in the right direction," says Mr Christian Strenger, chief executive of DWS, the Deutsche Bank fund management concern. "This was one of the few elements still missing. It is important to have money market funds in the range

of offerings. All mature financial markets have them."

If the Bundesbank had had its way, money market funds would never have seen the light of day. The central bank was concerned about their potential for undermining control of the money supply.

To press home its point, the Bundesbank last month withdrew its short-dated paper (Bills), saying it did not want to encourage short-termism in

financial markets. This was emphasised last week by Mr Hans Tietmeyer, president of the central bank, who said the federal and state governments should not turn to short-term issues.

While the removal of Bills takes some DM25bn off paper out of the market, fund managers do not see this as a great handicap. "It's a pity that such a top quality investment is not available," says Mr Strenger, but he and others see plenty of other investment opportunities.

The German funds will obviously encourage more companies to issue commercial paper. There are about 60 CP programmes in D-Marks, including blue chips such as Daimler-Benz, Volkswagen and BMW. But the winding down of the Treuhand privatisation agency will remove the biggest programme, worth DM10bn.

Mr Rudolf Siebel, Frankfurt-based investment fund analyst at the Moody's rating agency, says fund managers could have to accept more lower-grade paper from new issuers to offset the lack of government and Treuhand paper.

However, the Bonn government's new 10-year floating rate bond, based on the three-month Frankfurt interbank rate - the Bundesbank is not too enthusiastic about this, either - will provide an additional investment.

Mr Rolf Passow, head of DIT, the Dresdner Bank investment offshoot, hopes the funds will help popularise investment in funds generally as an alternative to fixed-interest savings.

The next step would be to interest more people in share-based unit trusts. At present, 68 per cent of the DM325bn invested in German unit trusts is in bond funds. The potential prize is a big one. Germans have some DM4,000bn in private financial assets, 44 per cent of these in bank deposits. If more went into shares and funds, the effect on German financial markets could be considerable.

## Lloyd's agency seeks listing for dedicated fund

By Richard Lapper in London

Hiscox Group, the Lloyd's agency, is to seek a stock market listing for its "Dedicated" investment fund, which provides corporate capital exclusively to its four syndicates.

The move is designed to pave the way for the eventual creation of an insurance company which would operate within the Lloyd's

regulatory framework, signalling a further shift in the character of the insurance market which has traditionally relied on individual Names trading with unlimited liability for their losses.

Lloyd's raised corporate capital for the first time last year. More than a dozen listed investment funds now supply some £500m (£1.2m) to syndicates and account for more than 14 per cent of the

market's capacity - the amount of premiums it can accept.

So far, all listed funds have been investment trusts supporting a range of agencies - and the syndicates they manage - across the insurance market, because stock exchange rules have prevented the listing of single agency or "dedicated" vehicles on the grounds that they do not have a three-year trading record.

Mr Robert Hiscox, chairman of Hiscox and deputy chairman of the market as a whole, indicated a relaxation was in prospect. Mr Hiscox, who helped orchestrate the drive to attract corporate capital last year, said his group will need to provide audited accounts for syndicate years of account which still have to be closed, in line with the market's three-year accounting system.

This announcement appears as a matter of record only.

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## COMPANIES AND FINANCE

## Charles Church refinanced

By Andrew Taylor,  
Construction Correspondent

Banks which led the financial rescue of housebuilder Charles Church three years ago have agreed to write off a further £50.7m of debt to aid the company's recuperation and eventually allow it to be floated.

They have also provided £10m of new loans to enable the company to buy land in the home counties and increase its building programme as the housing market recovers.

In a letter to shareholders Dr John Roberts, chairman, said the independent directors had been advised by NatWest Markets that "a future flotation of Charles Church Group is most likely to maximise returns to shareholders and subject to favourable economic and market conditions is a realistic prospect".

The latest refinancing involves a complex share restructuring. Banks which provided the original rescue package and have agreed the further debt reduction have increased their stake in the group from 42 to 80 per cent.

Preference shareholders and other banks which provided mezzanine finance in 1989 have had their stake reduced from about 40 per cent to 10 per cent. Charles Church management have retained their 10 per cent holding.

The continuing high level of Charles Church borrowings meant that the group recorded a pre-tax loss of £5.5m last year even though it moved back into the black at operating level. Trading profit was £332,000 compared with a loss of £17.87m the previous year. Mr Stewart Baseley, Charles Church chief executive, said:



Stewart Baseley: fortunes have improved significantly

"The company's fortunes have improved significantly and the business is now performing well. As a consequence our banks did not need to do anything, but based on our recent track record have demonstrated their confidence and support in the management by investing further into our profitable growth and expansion."

Dr Roberts said that the company had been due to repay banks about £14.2m of debt and accrued interest in August next year, with similar amounts due in 1996 and 1997.

The independent directors believed it would not be able to meet these obligations and supported the restructuring as "the only way by which shareholders as a whole may achieve any meaningful future value for their shareholdings".

Borrowings following the restructuring have been reduced from £90.7m to £50.5m, including the new £10m loan for land purchases. Shareholders' funds, which previously were in deficit, are now back in the black, enabling the company to pay dividends in the future.

## Institutions take a longer term view

By Norma Cohen,  
Investments Correspondent

Large institutional shareholders may take a much longer term view of the prospects of the companies they invest in than is currently believed, according to a new survey.

The Investor Relations Society, a professional association, studied the share registers of 10 leading UK companies over a 12-month period.

It concluded, based on analysis of the largest shareholders, that the average holding in any single company was 8 years and 4 months, far longer than a holding of between 3.5 and 5 years highlighted in an earlier study by the London Stock Exchange.

However, at the margin, there is considerable trading in the shares of each individual company over the course of a year, with the average monthly turnover at 7.1 per cent.

But for the 10 largest institutions, the average was 8.4 per cent, while for the 10 smallest, monthly turnover was 7.3 per cent, suggesting that smaller shareholders may be more volatile holders of stock.

Significantly, the study also found that life and pensions funds - which tend to be the largest institutional shareholders - are more likely to be longer term holders of stock than are unit trusts and investment trust managers.

Of the 45 life and pensions shareholders in the study, only one totally divested itself of a large stake in a single company during the 12-month period.

The 45 unit and investment trusts in the study included three cases of total divestment over the same period.

The Dynamics of Institutional Share Ownership in Major UK Quoted Companies, Jeremy Monk, Investor Relations Society, 2nd floor executive suite, One Bedford Street, London WC2E 9HD, 071-379-1763

## News Corp rejects panel as way to settle dispute

By Connor Middelmann

News Corporation, the publishing group owned by Mr Rupert Murdoch, has rejected an attempt by investors to use the City Disputes Panel to resolve a long-running dispute over its exchangeable preference shares and convertible bonds.

Instead, it is taking legal action against merchant bank J Henry Schroder Wagg, one of the investors who incurred losses in the confusion surrounding the preference share and convertible bond issues the media group launched in 1989, which were convertible into shares owned by News Corp in Pearson, the owner of the Financial Times.

When Pearson demerged its Royal Doulton china subsidiary last year, it was thought that anyone converting the News Corp bonds and

shares would receive Doulton shares, in addition to Pearson shares. A notice published in the FT in December on behalf of a News Corp subsidiary advised holders that they were entitled to the Doulton shares as part of the exchange.

However, in January, News Corp published another notice saying it was seeking legal advice and in February said that investors would not receive the Doulton shares.

Without the Royal Doulton shares, the value of the conversion package was worth less than the redemption value of the bonds. In the confusion surrounding the terms of the exchange, several investors, including Schroder, incurred significant losses.

Representing aggrieved investors, including Schroder, City lawyers Slaughter & May wrote to News Corp recom-

mending the matter be brought before the disputes panel.

News Corp, however, rejected arbitration "because it didn't think it was the most appropriate procedure," Mr Robert Hunter, a litigation partner at Allen & Overy, News Corp's lawyers, said yesterday. Instead, the group has started legal action against Schroder, asking the High Court to rule that the bank has no grounds for compensation.

Schroder disagrees. "We felt this was an appropriate dispute for the panel to hear, and believe it is the right body to consider the dispute," Mr David Garuth, Schroder's legal adviser said yesterday. "We don't think the courts are the appropriate forum for this dispute," he added.

News Corp was unavailable for comment, but is expected to make a statement today.

## Churchill China plans to raise £15m

By Peggy Hollinger

Churchill China is coming to the market next month. It is the third oldest Staffordshire-based china company to float in the last year, after Royal Doulton and Denby.

Churchill, founded under the Sampson Bridgwood name 200 years ago, wants to raise £15m via a placing.

About £5m of the proceeds will be used to carry out an investment programme to improve capacity and quality. The balance will go to the three brothers whose family have run the company since 1932. After the float, the Roper family will have about 55 per

cent of the enlarged equity.

Mr Stephen Roper, chief executive, says a flotation would also give the group the flexibility to attract and keep management expertise with incentives such as share options.

Churchill has three divisions - tableware, homeware and fine china. Tableware produces the cheaper earthenware product in traditional floral or blue willow patterns. Churchill intends to invest about £900,000 in this division.

In 1993 homeware contributed £1.7m to group profits of £2.5m. Churchill would invest about £5.5m in the division to expand capacity.

The flotation will include a profits forecast. Mr Roper said Churchill would show an improvement on last year's £2.9m profit and £36m in sales.

Other companies revealing plans to come to market include Brunner Mond, the UK's biggest soda ash group, New Look, a womenswear retailer, and Ennemi, an aggregates company.

Sold by Imperial Chemical Industries in 1991 to Penrice, a management buy-in company since renamed, Brunner could be valued at about £250m when it floats early in 1995.

New Look is to launch a placing and open offer by the end

of the year, valuing the company at £150m-£180m and involving some 35 per cent of the equity.

Founded by deputy chairman, Mr Tom Singh, the company has 221 retail outlets in the UK and 10 in France. In the year to March 36 last, sales were £88.4m and profits were £10.9m.

Ennemi's previous flotation proposal to raise almost £9m from a rights issue offered to shareholders of Anglessey Mining for a 15 per cent stake in the quoted mining group, received insufficient institutional support. Instead it is planning a placing to raise about £4.5m.

## Benfield proves exception to the rule

By Richard Lapper

London's insurance and reinsurance brokers have not performed well over the last couple of years, but Benfield Group, the reinsurance broker which has announced its full year results, is a notable and striking exception.

Benfield, which is not listed on the stock market, continues to make annual profits equal to nearly three quarters of its operating income, and its senior executives are among the best paid in the insurance industry.

The marginal fall in pre-tax profits in the year to June 30 from £31.2m to £29.2m, was principally due to falls in interest rates and currency losses.

Mr Matthew Harding, the chairman, already a multi-millionaire with substantial interests in Chelsea Football Club, saw his remuneration package - excluding pension contribution - fall only slightly to £2.39m (£2.45m). One other director also earned more than £1m in the year.

Yet Benfield has significantly increased its financial strength, boosting shareholders' funds to £50.7m (£50.2m). An extra

£12.5m in equity was raised earlier this year to capitalise a new reinsurance company, Benfield Re.

Mr Harding is also well known as a fierce critic of the price-driven approach to broking favoured by many in the market in the 1980s, which helped depress reinsurance rates to unsustainably low levels.

He has introduced a number of innovative elements into reinsurance contracts, mainly designed to prevent underwriters being able to underwrite business while retaining little or no risk on their own accounts.

## THE ZAMBIA PRIVATISATION AGENCY IS OFFERING FOR SALE



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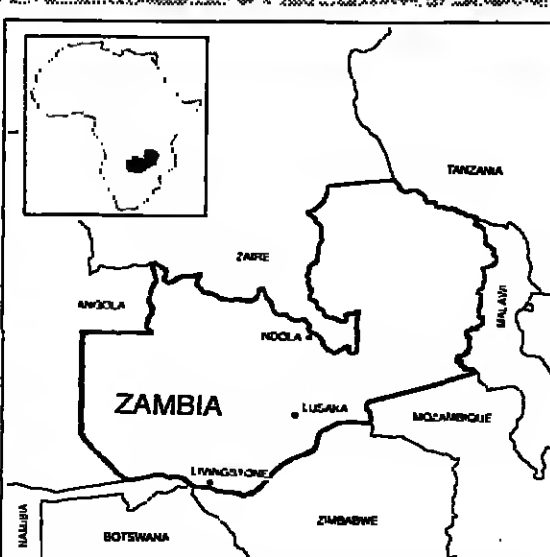
Offers are invited for the acquisition of up to seventy percent (70%) of the shareholding of the company; thirty percent (30%) of the shareholding will be offered to Zambians through a public flotation.

**The Enterprise**  
The company is located in the capital city Lusaka, which is serviced by a network of national and international road, rail and air links. Premium Oil Industries Limited (POI), is one of the two state owned enterprises producing edible oils, fats, soaps and stock feeds. POI has a well maintained equipment and factory premises. The equipment comprises oil expellers, solvent extractors, deodorisers, bottling

and labelling lines. The company also produces crude glycerine. Potential exists for expansion and further modernisation of the plant.

**The Market**  
The range of products of POI are well established in the various segments of the market. The strong brand names and an established network of wholesalers and retailers give the company's products a competitive edge.

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Bidders will be required to sign a confidentiality agreement and pay US\$100 for receipt of a tender package. For further information about bid submission contact:

The Director  
ZAMBIA PRIVATISATION AGENCY  
P O Box 30619, Lusaka, Zambia  
Telephone: 260-1-225270  
Telefax: 260-1-222858, 260-1-222859

The Zambia Privatisation Agency (ZPA) is an autonomous Agency of the Government of Zambia. The function of the Agency is to plan, implement, and control the privatisation of State owned enterprises in Zambia.



The closing date for bids is November 25th, 1994.

Young & Rubicam Lusaka 9994

## CONTRACTS &amp; TENDERS

## TAIWAN SUPPLY BUREAU TENDER ANNOUNCEMENT

Buyer: TAIWAN RAILWAY ADMINISTRATION (TRA)  
Purchasing Agent: TAIWAN SUPPLY BUREAU (TSB)  
3, Kai Feng Street, 1st Sec, Taipei, Taiwan R.O.C.  
Tel: (02) 3110814 Fax: (02) 3610995

INVITATION NO.	TENDER OPENING DATE	DESCRIPTION OF SUPPLIES	Q'TY/UNT/CAR
TSB-9432-130(1)	9:30am Nov 8 1994	i. Diesel Multiple Unit (DMU) ii. Diesel Railcar (DRC)	10 Units (30 Cars) 36 cars

For further details, please refer to the Tender Invitation. The Tender Invitation is waiting to be taken back (fee US\$340) and welcome to participate.

## LEGAL NOTICES

In the matter of Confidentiality  
Services (U.K.) plc  
In the matter of the Insolvency Act 1986  
Notice is hereby given that Anthony James McMahon and Peter Joseph Byrne of KPMG were appointed joint liquidators of the company with effect from 2 September 1994 following meetings of the company and creditors held on 23 August 1994 and 2 September 1994.

The creditors of the above-named company are required, on or before 30 October 1994, to send to their joint liquidators and, in turn, their notices and descriptions, full particulars of their debts or claims, and the names and addresses of their creditors (if any), to the undersigned Peter Joseph Byrne of KPMG Post Office Box 720, 20 Parkgate Street, London EC4A 3PP, joint liquidator of the said company, and if so required by notice in writing from the said joint liquidators, or personally or by their solicitors, to come to and give evidence at or attend at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such date as is provided. Date 21 September 1994  
PJ Byrne  
Joint Liquidator

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BRIAN POWELL  
Tel: +44 71 873 3223  
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**GOVERNO DA BAHIA**  
REPUBLICA FEDERATIVA DO BRASIL  
GOVERNO DO ESTADO DA BAHIA  
SECRETARIA DE ENERGIA, TRANSPORTES E COMUNICAÇÕES - SETC  
DEPARTAMENTO DE ESTRADAS DE RODAGEM DA BAHIA - DERBA  
PROGRAMA CORREDORES RODOVIARIOS DO ESTADO DA BAHIA  
AVISO DE LICITAÇÃO  
O DEPARTAMENTO DE ESTRADAS DE RODAGEM DA BAHIA, através de Comissão Permanente de Licitação, devidamente autorizada pelo Diretor Geral, conforme Portaria Nº 559/91, faz saber aos interessados que tem realizado "CONCORRÊNCIA INTERNACIONAL" para contratação de empresas especializadas em conservação periódica e restauração de rodovias em 02 (dois) lotes distintos de rodovias componentes do PROGRAMA CORREDORES RODOVIARIOS DO ESTADO DA BAHIA. LOTE I - BA-120, subtrecho Paulo Afonso - Ilhéus - Rodovia, com 62 km de extensão. LOTE II - BA-148, subtrecho BR-242 - Barreiras, com 38,00 km de extensão e BA-152 - subtrecho BR-242 - Ilhéus com 18,00 km de extensão. O recebimento das propostas deve ser até 17 de novembro de 1994, às 15h00h, no sala de reuniões da Diretoria Geral do DERBA, no 2º andar de sua sede, situada no Centro Administrativo da Bahia - CAS, município Salvador - BA. Os serviços, objeto desta Edital, serão parcialmente financiados com recursos do Banco Interamericano de Desenvolvimento - BID, para o PROGRAMA CORREDORES RODOVIARIOS DO ESTADO DA BAHIA. Poderão participar, desta licitação, empresas brasileiras ou estrangeiras que sejam originárias dos países membros do Banco Interamericano de Desenvolvimento - BID. Os interessados poderão obter o Edital, após a obtenção do reconhecimento de qualificação de R\$ 200.00 (duzentos mil) e solicitar esclarecimentos junto à Comissão de Licitação, na sede do DERBA, nos dias úteis e no horário das 13 às 16 horas, apresentando prova de sua habilitação legal para representar a empresa concorrente.  
DEMAIS MEMBROS:  
Gil Ruy Lemos Couto  
Guilherme José Benninger  
Roberto Renato Pereira  
DEPARTAMENTO DE ESTRADAS DE RODAGEM DA BAHIA - DERBA  
COMISSÃO PERMANENTE DE LICITAÇÃO  
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## BRAZILIAN NAVAL COMMISSION

IN EUROPE  
NOTICE OF PUBLIC TENDER NR. 013/94

Notice is hereby given that the BNCE with offices at: 170 Upper Richmond Road, London SW15 2SH, is accepting tenders to tube the supplier of AUXILIARY WATERTUBE BOILERS FOR THE "NITEROI" CLASS FRIGATES. The details of this Public Tender are available, at the request, at the above address or contact:

Contracts Department:  
Tel. 081 788 8111 Fax. 081 788 4190



## Jardine prompts Hang Seng shake-up

By Louise Lucas in Hong Kong

The Hang Seng Index will receive one of the biggest shake-outs in its recent history in November with the replacement of four constituent stocks. This will be followed in February with another round of switching, this time affecting three shares.

The changes were sparked by the de-listing of the five companies in the Jardine camp. From March 31, only Jardine International Motors will remain listed.

The Jardine group is withdrawing its secondary listing over regulatory concerns which analysts believe mask a deeper fear about the post-1997 administration.

The group is currently the focus of an attack from Beijing, which wants to see the Jardine consortium ejected from a key container terminal project.

On November 30, Jardine Matheson Holdings and Jardine Strategic Holdings will be withdrawn from the Hang Seng Index, one month before they quit the exchange.

At the same time, Lai Sun Garment and Winsor Industrial Corporation will be withdrawn following their under-performance of the market.

The four will be replaced with Amoy Properties, Guangdong Investments, whose interests span securities, travel and transport, hotels and property, Johnson Electric Holdings and Oriental Press Group, the newspaper and publishing group.

On February 28, the remainder of the decamping Jardine companies - Dairy Farm International Holdings, Hongkong Land Holdings and Mandarin Oriental International - will be replaced by Shanghai Asia, the hotel group controlled by Malaysian businessman Robert Kuok; Sino Land, the property company chaired by Singaporean Robert Ng; and South China Morning Post (Holdings), Hong Kong's leading English language newspaper now also under the control of Mr Kuok.

According to the latest stock exchange figures, the departing stocks are worth a total HK\$161.4bn (US\$21m) while the newcomers represent HK\$143bn.

## Coca-Cola in South African bottling deal

Coca-Cola is to buy control of a bottling venture in South Africa in partnership with a group of black South African investors, writes Mark Suzman in Johannesburg.

Under the deal, the value of which has not been disclosed, Coca-Cola has established a joint venture with the Kunene family, long-time Coke distributors in the black townships east of Johannesburg, to purchase control of Vinto Minerals, one of seven major Coca-Cola bottling plants country-wide. It has annual turnover of about R50m (\$14m).

Coca-Cola and the Kunenes will each take 50 per cent of a new investment company, Fortune Investment Holdings, which will purchase Vinto. The Kunenes will take over management of Vinto.

Coca-Cola withdrew from investment in South Africa in 1988 and announced its formal return to the country last June when it repurchased Vinto, the country's biggest Coke bottler and distributor. The company's products dominate the South African soft drink business, with over 77 per cent of the domestic market.

## S&P downgrades Daimler Benz

By Connor Middelmann

Standard & Poor's, the international rating agency, has downgraded its long-term debt ratings on Daimler Benz and related entities to AA- from AA, and has changed the outlook to stable from negative. Some \$5.2bn of debt is affected.

According to S&P, "the rating action reflects increasingly difficult industry fundamentals within the European automotive industry and the continued weakness within developed world aerospace markets".

Daimler's two main units are Mercedes-Benz, the motor vehicle manufacturer, and Dasa, the aerospace group.

Daimler Benz did not seem overly worried by the move. A spokesman told Reuters news agency that "debt rating AA- has a very strong capacity to pay interest and repay principal, and differs from the highest rated debt only to a small degree".

Despite a 6.8 per cent increase in European new car registrations during the first six months of 1994, S&P said it expects long-term demand to slow as European markets approach saturation.

At the same time, increasing economic uncertainty suggests that automotive market conditions will be subject to more cyclical fluctuations while competition among players is intensifying as a result of the

elimination of trade barriers, the agency stated. Conditions within global aerospace markets also remain weak, S&P said.

However, while long-range conditions in Daimler Benz's core automotive and aerospace markets will remain challenging, S&P said, it assumes group operating profitability will improve over the next two to three years in line with European economic recovery and as a result of recent product launches and the group's rationalisation and restructuring programmes.

Some analysts felt the rating came at an odd time. "It seems rather late in the day to be downgrading Daimler, seeing as it appears to have

weathered the storm and is on the mend," said Mr Roderick Hinkel, German strategist at Paribas Capital Markets.

Daimler Benz reported operating profits of DM\$26m (\$800m) for the first half of this year compared with a loss of DM\$1.1m in the same period a year ago.

The company's chairman, Mr Eberhard Reuter, recently predicted that "almost all" operations should have returned to profit by 1995.

S&P also noted that Daimler Benz is seeking to enhance its competitiveness through the renewal and expansion of product offerings at Mercedes-Benz and improvements in operating efficiency across the entire group.

## Multimedia strategist takes on Time Warner

The press release 10 days ago announcing Mr Norman Pearlstine's appointment as editor-in-chief of the US media giant Time Warner contained one curious and revealing sentence. The challenge for Mr Pearlstine, it said, was "to preside over the explosion of our journalistic creativity... into multimedia forms".

In more innocent days, the job of presiding over a group of magazines ranging from Time and Fortune to Sports Illustrated might have been enough to get on with. It is also one for which Mr Pearlstine, a former editor of the Wall Street Journal, is eminently qualified. But the clincher, it seems, is what he has been doing for the past two years: setting up and running his own multimedia investment company.

His appointment is a clue not only to developments in the magazine world, but to Time Warner's wider strategy. The company has been in the news lately for its rumoured interest in buying all or part of the NBC television network. The link between broadcasting and programme production is at the currently fashionable end of the multimedia spectrum.

Such a deal would also be very expensive. Since the magazines are less fashionable but still highly valuable, there had been speculation that they might be sold. The terms of Mr Pearlstine's appointment

plainly suggest otherwise. Mr Pearlstine's two years in the investment game do not seem to have been particularly productive, a fact which he proposes as a lesson in itself. "I think the most valuable thing I may bring is some caution and scepticism on where the true opportunities are," he says. "I must have looked at

that Time Warner is as far along this road as anyone in America," he says. What if Time Warner's rumoured interest in a broadcasting network were to bear fruit? In that case, I can see more readily how [editorial] content would move back and forward. I can also see how instant polls through TV or on-line [personal computers] could play into the publications. But I don't think giving Fortune and Time reporters camcorders and sending them out to get material for TV would be very useful.

Beyond that lies a wider problem. The essence of print journalism is getting the right words and the right stories into a scarce amount of space. The point about personal computers and the Internet, by contrast, is that it is theoretically possible to call up everything that is known on any conceivable topic.

"I haven't seen a good working business model for that yet," he says. "How you work out a model that handles an infinite capacity for information rather than scarcity hasn't been addressed yet."

Traditional journalistic skills may prove his main qualification after all. "As much as I'm fascinated by new media, and as much as it's a plus for an editor-in-chief to know about it, the bulk of the job is looking after the print magazines for the foreseeable future."

## Management changes at Bolloré Technologies

By David Buchan in Paris

A management shake-up at Bolloré Technologies, the diversified French industrial group, is due to be confirmed at the group board's meeting later today, following the news on Friday of a change in chief executive.

Bolloré Technologies clarified a leaked report on Friday that Mr Jean-Paul Parayre would be replaced by Mr Bernard Esambert as its president. However, the company indicated that the change - likely to be the result of the former's differences of opinion with Mr Vincent Bolloré, chief shareholder in the group - was relatively amicable.

An industrialist with long experience at Peugeot and Lyonnaise des Eaux-Dumez, Mr Parayre was only made head of Bolloré Technologies in January.

However, the group statement said that Mr Parayre had been able to carry out "earlier than foreseen" the necessary restructuring required, among other things, by January's devaluation of the CFA franc in French Africa, where the group does much of its business.

Mr Bolloré and Mr Parayre therefore agreed the time had come to "put a new structure in place". Giving credence to this is the fact that Mr Parayre is not quitting the group, but swapping places with Mr Esambert as manager of Albatros, the holding company which controls the industrial group.

Mr Parayre is also said to have turned around the group's performance, putting it into profit in the first half of this year after its FF\$57m loss in 1993 as a whole, and selling assets to reduce its debt to FF\$5.8bn.

However, one of Bolloré's main bankers is the hard-pressed Crédit Lyonnais, which may be pressing its client in turn for further debt reductions.

It may be thought that Mr Esambert, a banker by trade, will give more weight to financial considerations than his predecessor.

## Deutsche Bank mulls UK move

By Nicholas Denton, Norms Cohen and Christopher Parkes

Deutsche Bank, Germany's largest bank, is on the verge of a decisive build-up of its equity business in the City of London.

Executives at Deutsche Bank and Morgan Grenfell, its UK merchant banking subsidiary, dismissed reports that a decision on the expansion would be made as early as this week.

Deutsche Bank said, nevertheless, that it was in regular discussions on the issue and said: "Our base for European equities would be London."

Mr Hilmar Kopper, spokesman for the bank's supervisory board, said: "It would have to be expanded, and I do not think it can be expanded out of Frankfurt."

The main issue to be resolved is the role that Morgan Grenfell, which Deutsche Bank purchased in 1990 for \$950m, will play in the German bank's broader strategy in investment banking.

Morgan Grenfell said it would play a major role in helping to build up Deutsche's equity business. "We can assist in the process," said Mr Michael Dobson, chief executive of the UK merchant bank. The

link would also allow the two entities to use each other's relationships.

Nevertheless, senior officials at the UK merchant bank are believed to be jealous of their independence of action and identity. "Morgan Grenfell is a fantastic name," said one executive at the firm. "What would Deutsche Grenfell sound like?"

Morgan Grenfell said the success of the existing relationship was attested to by the merchant bank's financial results. The company made pre-tax profits of \$235.5m in 1993, an increase of 194 per cent on the previous year.

## Minerals side lifts BHP in first quarter

By Nikkai Tait in Sydney

Broken Hill Proprietary, the large Australian resources group, yesterday announced a first-quarter profit after tax of A\$972.5m (US\$676m), compared with A\$916.1m in the same period last year. The result was lifted by a near-50 per cent improvement in profits from its minerals division.

Total revenues during the period increased by 7.9 per cent, to A\$4.48bn, while basic earnings per share rose by 12.7 per cent to 26.7 cents.

Although the figures were in the middle of the range of original market forecasts, some analysts had upgraded their estimates after BHP released a strong August production report earlier in the week.

After-tax profits on the minerals side rose to A\$227.4m from A\$152m. BHP said the improvement reflected the consolidation of the Ok Tedi mine in Papua New Guinea, where it recently raised its stake by buying out the Amoco interest, together with higher shipments from the Escondido mine and higher copper prices. Partly offsetting these benefits were lower US dollar prices for coal, iron ore and manganese.

Profits from the steel division were little changed at A\$139.5m. BHP said that Australian operations improved

their performance but there was a lower result from BHP New Zealand Steel, due to renovation work.

Petroleum profits rose by A\$5.7m to A\$145.3, due to better results for the Hawaiian operations and higher sales volumes, which offset lower realised oil prices and unfavourable exchange rate movements. Profits from the service companies fell to A\$10.9m from A\$18.7m.

## Compensation Scheme for Creditors of Banco Latino N.V. ("BLNV")

On August 19, 1994 BLNV has sold some of its assets to Banco Provincial Internacional N.V. ("BPI"), a credit institution established and licensed in the Netherlands Antilles.

According to the calculations based on the value of the assets sold to BPI, balances receivable from Banco Latino S.A.C.A. ("BLCA") and the securities held by BLNV, the institution expects to pay out to its creditors 75% of their claims on the institution.

The compensation of the claims to depositors and other creditors of BLNV will consist of three parts and will take place as follows:

- 1) Certificate of Deposit will be issued by BPI to all creditors amounting to a compensation ratio of approximately 40% of the original claim. The Certificate of Deposit will be issued according to the currency of the claim in the following manner:  
 Bolívar claims:  
 With regard to claims of creditors in Bolívars, five (5) Certificates of Deposit will be issued by BPI in Bolívars maturing in a period of two (2) to twenty-four (24) months after August 19, 1994. The value of these certificates will amount to 40% of the original claim.  
 Claims in other currencies:  
 Claims in other currencies will be compensated by means of five (5) Certificates of Deposit in Bolívars, representing in the aggregate 20% of the original claim, and one (1) Certificate of Deposit in US\$, also representing 20% of the original claim. This US\$ certificate will mature in twenty-four (24) months and the Bolívar certificate will mature in a period of two (2) to twenty-four (24) months.
- 2) A special purpose investment fund, named "The Venezuela Recovery Fund N.V.", will issue share certificates in US\$ to all creditors of BLNV representing a compensation ratio of approximately 28% of the original claim.
- 3) Upon receipt of the amounts owed by BLCA to BLNV, BPI will issue additional Certificates of Deposit to the depositors and other creditors of BLNV representing approximately 7% of the original claim of the creditors.

Re 1) Certificate of Deposit issued by BPI.

The procedure to obtain the Certificate of Deposit to be issued by Banco Provincial Internacional N.V. is as follows.

Procedure:

All creditors of BLNV with last names or company name beginning with the letters in column (1) below will have to claim their Certificates of Deposit at the office of Banco Latino N.V. on the 24th floor of the building of Banco Latino S.A.C.A. in Caracas on the dates mentioned under column (2):

Natural Persons		Natural Persons	
(1)	(2)	(1)	(2)
A to B	October 3, 1994	M to O	October 7, 1994
C to D	October 4, 1994	P to R	October 10, 1994
E to G	October 5, 1994	S to V	October 11, 1994
H to L	October 6, 1994	W to Z	October 13, 1994

Corporate Persons

Can file their claims on October 14th and 17th.

Holders of Euro Certificates of Deposit and commercial papers guaranteed by BLNV should present their claim on or after October 18, 1994 to BLNV.

In addition to the Certificates of Deposits mentioned above, all creditors will receive a check, at the same time they receive their Certificates of Deposit, containing the first payment of interest on their Bolívar Certificates of Deposit.

In order to obtain the Certificates of Deposit mentioned above, all creditors being natural persons are advised to bring with them:

- a photo-identification (Passport or "Cédula") and a copy thereof to be retained by BLNV;
- proof of their claim on BLNV.

Those persons representing creditors of BLNV should carry a proxy from the creditor they represent, in addition to the documentation mentioned under a and b above.

Creditors being corporate persons (institutions or corporations) should submit:

- an extract from the Chamber of Commerce of the place of their registration;
- the proof of their claim on BLNV;
- a proxy in case someone other than the directors come to claim a new Certificate of Deposit;
- a photo-identification (Passport or "Cédula"), of the proxy holder and a copy thereof to be retained by BLNV.

In case the documentation to be submitted is not complete, the Certificates of Deposit will not be issued to the creditor or his/her representative. The next opportunity will then be 7 days after the applicable date mentioned above for each creditor.

BLNV retains the right not to issue the title document if doubts exist as to the authenticity or completeness of the documents presented. In these cases, copies of the submitted documentation will be retained and the creditor will hear within a week what action, including additional evidence, should be taken to receive the title document and the Certificates of Deposit.

Depositors and other creditors who cannot collect their Certificates of Deposit at the office of BLNV in Caracas as mentioned above, can collect their certificates at the office of BPI in Curacao after making an appointment at the following telephone number: (5999) 812-967.

Re 2) Share Certificates to be issued by the Venezuela Recovery Fund.

BPI will act as Paying Agent for the Fund and Banco Provincial S.A.C.A. as Custodian for the securities maintained in subject Fund. These securities concern negotiable long term US\$ denominated instruments.

During the month of October next, BLNV will issue a separate communication in which the creditors will be informed of the dates when the Certificates of the Fund will be issued to them.

Re 3) Certificate of Deposit to be issued after receipt of the amounts owed by BLCA to BLNV.

Presently discussions are going on with BLCA to determine the manner in which payment to BLNV will be done by BLCA. BLNV expects to finalize these discussions soon, so that all creditors can be compensated as soon as possible. When the discussions with BLCA are finalized BLNV will announce to its creditors how and when they may expect their final compensation.

The following is the address of Banco Latino N.V. and Banco Provincial Internacional N.V.:

De Ryckersdijk 61  
Willemstad, Curacao  
Willemstad, September 20, 1994  
Banco Latino N.V.

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Swiss Bank Corporation

Barclays de Zoete Wedd Limited  
Hambros Bank Limited  
Nippon Credit International Limited  
Sanwa International plc  
Wood Gundy Inc.

CS First Boston  
Lehman Brothers  
Salomon Brothers International Limited  
UBS Limited  
Yamaichi International (Europe) Limited

## The Financial Times plans to publish a Survey on Bolivia

on Wednesday, November 9.

With over ten years of economic and political reform to its credit and the recent inauguration of its third successive democratic government, Bolivia is an increasing strength in Latin America. This survey will report on the country's economy, political scene, financial markets, privatisation policy and more.

For more information on editorial content and details of advertising opportunities available in this survey, please contact:

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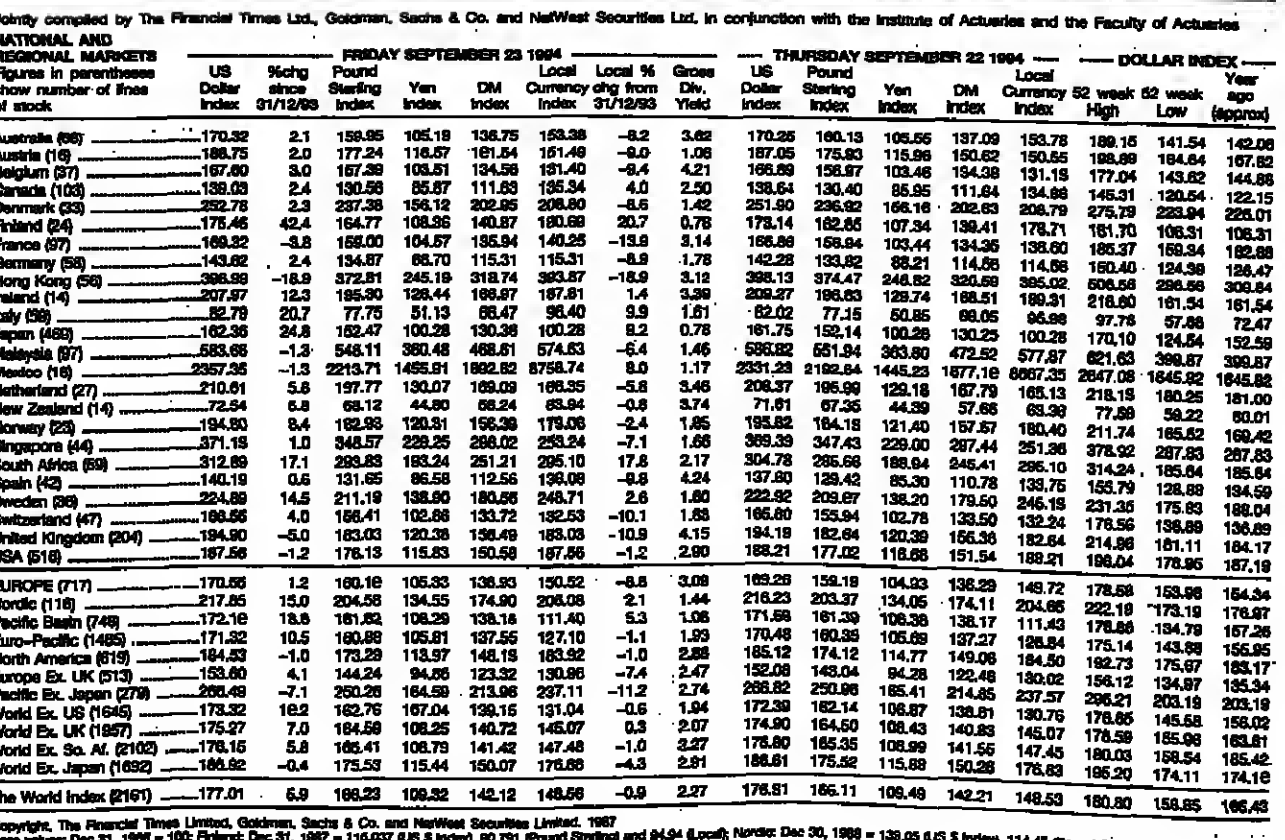
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## EQUITY MARKETS: This Week

## NEW YORK

Frank McGurty

## All eyes on the Federal Reserve

It is abundantly clear this morning that sentiment on Wall Street in the final week of the third quarter will hinge on the outcome of tomorrow's Federal Reserve policy session. It is much more difficult to divine how investors will react to any decision forthcoming from Washington.

But analysts are not expecting stocks to make much progress in the short term, whether or not Mr Greenspan and company come down in favour of an immediate move to tighter money.

"The market is facing a lot of headwinds these days," says James Solloway, an analyst at Argus Research in New York and one of Wall Street's more bullish pundits.

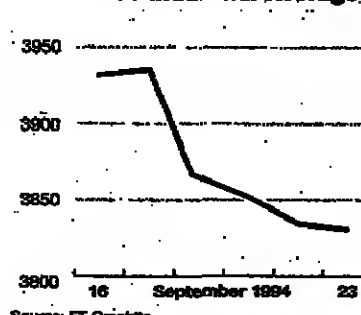
"It all comes down to the realisation that whether the Fed raises rates or not, it's certainly going to raise them sooner or later, and the next time won't be the last."

The best hope of most strategists is that share prices can regain their balance this week after hitting the skids since September 15, when the Dow Jones Industrial Average came within striking distance of its record high of 3,978.

"The strength of the rally was an illusion, and there is now risk on the downside," says Robin Griffiths, technical analyst at James Capel Strategy in New York.

What if the Fed opts to hold off on the cycle's rate increase, as a somewhat shaken consensus of economists foresees? Mr Solloway says equity investors will probably feel a mixture of relief and anxiety, with the latter dominating.

Dow Jones Industrial Average



Source: FT Graphix

If there is no action, bonds are likely to tumble. Traders are already worried that the central bank has fallen behind the inflationary curve.

Though stocks have not moved in step with the Treasury markets in recent weeks, a downturn in bond prices, and a concurrent increase in long-term returns, will tip the balance more in the favour of bond investments.

"We are now reaching a point where the increase in bond yields is having a negative effect on stocks," says Mr Solloway.

What if the Fed decides to act immediately, as predicted last week by Mr Wayne Angell, a former Fed governor who now serves as chief economist for Bear Stearns.

Mr Angell, known for his hawkish stance on moving aggressively against inflation, says there was a 60 per cent chance that his old colleagues will vote to lift short-term rates by 50 basis points.

When the Fed acted in a like manner in mid-August, stocks surged, as Wall Street put the best possible spin on an accompanying statement which said the rate increase should "be sufficient, at least for a time".

A month later, pundits will not be as generous in their interpretations.

## LONDON

Terry Byland

## Confidence in earnings less secure

This week will not be an easy one for fund managers. It brings the end of the year's third quarter with the three-month gain already whittled away to not much more than 100 points; and 100 points is no gain at all in a stock market which has suffered losses of 40 points-plus on more than one session in the past fortnight. Also hanging over all fund trustees' meetings will be awareness that the FTSE 100 Index has to move quickly in the final quarter to meet many year-end forecasts.

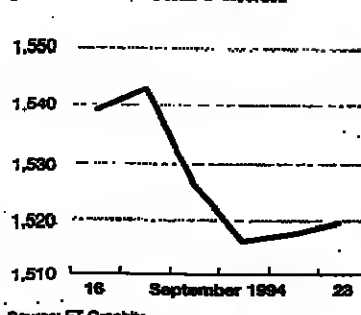
Chartists see support around 2,960 to 2,970, with some moving the line to above 3,020. Such worries are tempered by the assurance from Derivative Securities, the futures market specialist, that "we now have an extremely oversold situation".

Deeper concerns over interest rates and the pace of economic recovery lie beneath these technical considerations. Interest rate anxiety will be tested early this week at the meeting of the US Federal Open Market Committee.

While the Bundesbank stands by to provide further drama on Thursday, interest rate worries are reflected in the role of bonds in underpinning equities. European fund managers have been switching out of UK stocks and into British government bonds, even though the outlook for gilts remains questionable as long as further rises in base rates seem likely.

BZW points out that the gilt/agency yield ratio is at 2.3 times, underlining the cheapness of gilts; but Strauss Turnbull notes that this ratio is close to its 10-year average. Given that UK bonds hold the key to genuine recovery

FT-SE-100 All-Share Index



Source: FT Graphix

in equities, and that many analysts believe that impending over-supply of bonds is the problem, markets will watch Wednesday's auction of £2bn 10-year gilts with care.

If the interest rate side of the market argument is in doubt, the bull side - based on growth in company profits and dividends - has also become less secure.

"Faith in strong earnings growth runs at least some risk of being misplaced," says BZW. And Kleinwort Benson Securities has become the first UK house to bite the bullet and describe the market's median estimate of earnings growth of around 14 per cent next year as "grossly overblown".

Cutting its 1995 earnings forecasts from 10 to 8 per cent, it says some analysts are suffering from "money illusion" and need spectacles fitted a deep rosy pink. This week can probably be set aside for window dressing ahead of the end of the quarter and worrying about the FOMC. But the response to statements from British Aerospace and Guinness, not to mention hints of downgrades of Hanson, suggests confidence in earnings growth has been shaken.

If both the interest and the earnings growth side of the UK market equation are under scrutiny, the year's final quarter could prove difficult.

## International offerings

## Richter Gedeon response bodes well for Budapest

Hungary last week kicked off what is set to be a busy fourth quarter in its equity offerings with the privatisation of 33.4 per cent of Richter Gedeon, the country's biggest pharmaceuticals manufacturer and one of its largest exporters.

The sale, which is being combined with a capital increase, will net the company \$62.4m. It is expected to be one of this year's biggest privatisations.

Investment banks in Budapest said the strong foreign interest in the offering underlined western investors' confidence in Hungary, despite the victory of the Hungarian Socialist Party, the former communists, in May's general elections.

The international offering, to be followed by a domestic public offer of a further 3.5 per cent of the company next week, involved the sale of 4.1m ordinary shares priced at \$12.30. Schroder, the UK merchant bank which joint lead-managed the private placement, said it had placed around 75 per cent with UK institutions. Shares changed hands at \$13.25-\$13.75 on Friday, the first day of trading, the bank said.

The successful offering is good news for the Budapest Stock Exchange, on which Richter Gedeon plans to become listed in the coming weeks. The company, which made a gross profit of more than Ft12bn on turnover of Ft11.2bn (\$114m) in the first half of 1994, is also seeking listings in Vienna and on the developing markets sector of Seag.

Local brokers hope Richter Gedeon, which is set to become the BSE's largest stock by market capitalisation, will inject more liquidity into the market. Liquidity remains a problem for the exchange although it is improving.

The BSE which also trades government bonds and other securities, averaged 288 deals a day in the first eight months, well up on last year's daily average of 84. Boosted by several new offerings earlier this year, shares accounted for 29 per cent of total turnover by the end of August, up from 10 per cent last year.

Exchange officials hope the new issues and those planned for the autumn will help double the BSE's market capitalisation to around \$2.2bn from \$1.1bn at the start of the year.

Few companies have announced public offerings or capital increases but local analysts say several are under preparation.

Janos Bartha, head of CS First Boston's local operation, says that he expects a number of private Hungarian compa-

nies to come to the market in the next six months.

However, state companies undergoing privatisation are still expected to provide the majority of new offerings. Until now, trade sales have generally been Hungary's preferred privatisation method.

Nevertheless, Mr Bartha says there are also state companies which have restructured enough and which do not necessarily need strategic partners which are likely to privatise via flotation.

Much will depend on the new government's privatisation policy which is presently under discussion. The government has promised it will speed up privatisation and its privatisation agencies say one way of doing this could be more equity offerings.

In the meantime, the government is moving ahead with privatisation of the state gas and electricity monopolies, on which it is being advised respectively by Rothschild and Schroder.

In the first phase, AV Rt, the privatisation body, is planning to hold tenders for minority stakes in the five regional household gas distribution companies this autumn. MVM, the electricity company, would follow next year.

Virginia Marsh

## OTHER MARKETS

## INTEREST RATES

The outlook for higher interest rates in the US and Germany will dominate activity this week. James Capel reckons that the strength of the real economy data over the last month points to a rise in rates at Tuesday's US Federal Open Market Committee and it reiterates, ahead of Thursday's Bundesbank meeting, that the underlying strength of German M3 over recent months has indicated an inflationary risk from 1996 "and we therefore still think German rates have bottomed".

Kleinwort Benson rates the chances of a US rates rise after the FOMC as very high and it

expects the strength of the economy will force the Fed to raise rates to 5% per cent by the end of this year, and 6% per cent by the middle of 1996.

UBS, however, is sceptical about the need for a rise in US rates, saying that the markets are exaggerating the extent of the US inflation threat, not least because the tightening of policy seen so far this year has already put in place influences that will limit the cyclical rise in prices in 1995.

It also expects the Bundesbank to leave official rates unchanged, saying that policy is on hold until after the federal election. Thereafter, further disinflation may yet facilitate one final round of monetary easing.

## AMSTERDAM

The stock exchange will shrug off nearly 400 years of tradition when it opens for business on Friday with a Ft18m (\$4.3m) computerised equity trading system designed to increase Amsterdam's share of the market in Dutch stocks, writes Martin Eric.

Currently, between 40 and 60 per cent of trades in Dutch stocks are made in London.

Central to the development of the new system is a decision to change the role of Amsterdam's time-honoured system of jobbers or *hoeksmen*. In future, they will concentrate on retail trades, and new electronic screens will handle wholesale dealing.

## PARIS

With last week's austerity budget providing no surprises for the market, attention has switched back to the corporate reporting season, writes John Pitt. Alcatel Alsthom, due to release interim figures on Wednesday, has seen its share price lose ground steadily this month. From around FF600 at the start of September the shares were trading by the close of trade on Friday at FF554, a fall of 7.6 per cent.

Most of the selling has come from international investors, while the telecommunications company has also been dogged by allegations of corruption made in certain elements of the French media.

## HELSINKI

Although the market is bracing itself for the imminent onset of the corporate eight-month reporting season, investors are becoming increasingly cautious ahead of Finland's October 16 referendum on European Union membership. Support for membership has fallen over Brussels' reluctance to accept the farming support package.

However, Helsinki remains the best performing stock market in Europe this year with the Hex index up 17.8 per cent. In dollar terms, the FT-A Finland index has risen by 40.54 per cent this year compared with a 0.18 per cent fall in the FT-A Europe index.

Helsinki retains its supporters, including Peter Lawrence at Kleinwort Benson, who believes that the previous all-time high for the Hex of 2,009.5 is now within reach after five long years.

He says that international factors over the next few months could have a negative impact on Finland, but thinks that the prudent 1995 budget and stronger currency should limit the need to raise interest rates in line with Sweden, for example.

"Our belief in the shorter term is supported by the inflow of funds into domestic trusts, as well as evidence that foreigners are strong net buyers of the market," Mr Lawrence says.

## TOKYO

The Nikkei index is likely to continue to fluctuate around the 20,000 level in the week ahead, writes Emilio Terazono.

However, trading volume is expected to rise sharply as a last-minute rush to realise profits on holdings boosts cross trading, or the selling and buying back of stocks, ahead of the September book closing. The volume of cross trades on the Tokyo, Osaka, and Nagoya stock exchanges during the April-September period is expected to total around 7.5bn shares, the highest since 1991, with about 80 to 90 per cent of the trading during the latter half of last week being attributed to cross trading.

## HONG KONG

Investors will be keeping a wary eye on tomorrow's FOMC meeting, while Japan could also be an influence, with a possible sell-down of Asian equities accompanying its half-year end, writes Louise Lucas.

Domestically, property stocks will be in the spotlight as the developers announce their final results, wrapping up the current reporting season. There is also likely to be a spate of switching among Hang Seng index constituent stocks as investors welcome newcomers, announced on Friday, to replace the five Jardine stocks that are delisting.

Compiled by Michael Morgan

## BANCO BILBAO VIZCAYA

## SECOND QUARTERLY DIVIDEND 1994

The Board of Directors of Banco Bilbao Vizcaya S.A. has approved the payment of the second quarterly dividend for the Financial Year 1994 on all shares issued, numbered 1 to 231,000,000 as follows:

Gross Dividend	Tax	Net Dividend
38 ptas	9.50 ptas	28.50 ptas

Date of payment: on or after 10th October 1994

Payment: As the Bank shares are represented by entries in the official register maintained by the Servicio de Compensación y Liquidación, S.A. (the "SCL"), the payment of the dividend will take place through the members of the SCL.

## ANZ Bank

## Australia and New Zealand Banking Group Limited

Australian Company Number 009 357 522  
(Incorporated with limited liability in the State of Victoria, Australia)

U.S. \$125,000,000

Floating Rate Notes due 1995

Notice is hereby given that for the Interest Period 23rd September, 1994 to 23rd March, 1995 the Notes will carry a Rate of Interest of 3.8125 per cent per annum with an Amount of Interest of U.S. \$3,292.34 per U.S. \$10,000 Note and U.S. \$2,922.40 per U.S. \$100,000 Note. The relevant Interest Payment Date will be 23rd March, 1995.

Bankers Trust Company, London Agent Bank

## THE VENEZUELA HIGH INCOME FUND N.V.

## DIVIDEND NOTICE

Consistent with the authorization granted by the Board of Supervisory Directors on September 8, 1994, notice is hereby given that the Fund will pay a distribution of U.S. \$0.25 per share on October 17, 1994 to common shareholders of record at the close of business on September 30, 1994, in the case of shares held in registered form, or upon presentation of coupon number 13 attached to the common share certificate to the Fund's Paying Agent (on or after October 17, 1994), in the case of common shares held in bearer form.

By order of the Managing Director

Managing Director and Location of Principal Office  
Curacao Corporation Company N.V.  
De Ruyterkade 62, P.O. Box 812  
Willemstad, Curacao  
Netherlands Antilles

Administrator, Registrar, Transfer and Paying Agent  
Cititrust (Bahamas) Limited  
Thompson Boulevard  
P.O. Box N1576  
Oakes Field  
Nassau, Bahamas

Investment Manager  
Scudder, Stevens & Clark, Inc.

## UNOCAL

U.S. \$200,000,000  
Union Oil Company of California  
Guaranteed Floating Rate Notes due 1996

Guaranteed by  
Unocal Corporation

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the six month period ending on 23rd March, 1995 has been fixed at 6.0625% per annum. The interest accruing for such six month period will be U.S. \$304.81 per U.S. \$100,000 bearer Note, and U.S. \$30,481 per U.S. \$10,000 bearer Note, on 23rd March, 1995 against presentation of Coupon No. 18.

For holders of fully registered Notes the Rate of Interest for the six month period ending on 23rd March, 1995 has been fixed at 6.0625% per annum. The interest accruing for such six month period will be U.S. \$304.81 per U.S. \$100,000 fully registered Notes, and integral multiples thereof, payable 23rd March, 1995.



London Branch  
Agent Bank

21st September, 1994

## Notice of Redemption at the option of the Bondholders

## TÜRKİYE CUMHURİYETİ (The Republic of Turkey)

U.S. \$150,000,000

11 1/4 per cent Bonds due 1998

NOTICE IS HEREBY GIVEN to the holders of the Bonds, that in accordance with Clause 5(b) of the Terms and Conditions of the Bonds, the Republic will, at the option of the holder of any Bond, redeem such Bond on 22nd December, 1994 at its principal amount, when interest on the Bonds will cease to accrue.

To exercise such option the holder must deposit such Bond, together with all coupons relating to it which mature after the date fixed for redemption, with any Paying Agent, together with a duly completed redemption notice in the form obtainable from any of the Paying Agents, not more than 60 nor less than 30 days prior to the Redemption Date.

Payable Agent  
Bankers Trust Luxembourg S.A.  
P.O. Box 807  
14 Boulevard P.D. Roosevelt  
L-2450 Luxembourg

Accrued interest due on 22nd December, 1994 will be paid in the normal manner upon presentation of Coupon No. 6 on or after 22nd December, 1994.

Bankers Trust Company, London Agent Bank  
26th September, 1994

## NOTICE OF REDEMPTION

U.S. \$150,000,000  
Retractable Notes Due October 30, 1996

## CITICORP

NOTICE IS HEREBY GIVEN THAT Citicorp has elected to redeem on October 31, 1994 the "Notes" of its outstanding Retractable Notes Due October 30, 1996 (the "Notes") at a redemption price equal to the principal amount thereof plus interest accrued to the Redemption Date. On and after the Redemption Date, interest on the Notes will cease to accrue.

The Notes are to be redeemed at the main office of Citicorp, N.A. in London, or at the main office of Citicorp, N.A. in New York, or at the main office of Citicorp, N.A. in Zurich, or at the main office of Citicorp, N.A. in Hong Kong, or at the main office of Citicorp, N.A. in Singapore, or at the main office of Citicorp, N.A. in Tokyo, or at the main office of Citicorp, N.A. in Seoul, or at the main office of Citicorp, N.A. in Taipei, or at the main office of Citicorp, N.A. in Manila, or at the main office of Citicorp, N.A. in Bangkok, or at the main office of Citicorp, N.A. in Jakarta, or at the main office of Citicorp, N.A. in Kuala Lumpur, or at the main office of Citicorp, N.A. in Singapore, or at the main office of Citicorp, N.A. in Hong Kong, or at the main office of Citicorp, N.A. in New York, or at the main office of Citicorp, N.A. in London.

September 26, 1994, London  
By Citicorp, N.A. Fiscal Agent

CITIBANK

U.S. \$30,000,000

## CRÉDIT D'EQUIPEMENT DES PETITES ET MOYENNES ENTREPRISES

Undated Subordinated Floating Rate Notes

For the Interest Period from September 28, 1994 to March 27, 1995 the rate has been determined at 8.375% per annum. The amount payable on March 27, 1995 per U.S. \$1,000,000 principal amount of Notes will be U.S. \$35,072.92.

By The Chase Manhattan Bank, N.A. London, Agent Bank  
September 26, 1994

CHASE



The Export-Import Bank of Korea  
US\$100,000,000  
Floating Rate Notes Due 1997

In accordance with the provisions of the Floating Rate Notes, notice is hereby given as follows:

Interest Period: September 23, 1994 to March 23, 1995 (181 days)

Rate of Interest: 5% % per annum

Coupon Amount: US\$ 2,828.13 (per note of US\$100,000)

US\$ 7,070.31 (per note of US\$250,000)

Agent

LTCB Asia Limited

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Bureau De Vente Paris, 168 Rue De Rivoli, 75001 Paris, France.  
Tel: (1) 42 97 06 10.

Company \_\_\_\_\_

Nature of business \_\_\_\_\_

Postcode \_\_\_\_\_ Telephone \_\_\_\_\_  
Country \_\_\_\_\_

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Figure 1. The effect of the concentration of the *Agrobacterium* suspension on the transformation efficiency of *Agrobacterium* strains.



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Int. Phase	Cons. Phase	Ind. Phase	Other Phase	Total City-Phase
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[illegible][illegible][illegible][illegible][illegible][illegible][illegible]



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[illegible]



## CURRENCIES AND MONEY

## POUND SPOT FORWARD AGAINST THE POUND

Spot	Closing mid-point	Change on day	30-day spread	Day's high	Mid low	One month Rate	Three months Rate	One year Rate	Bank of England				
Europe	(Sfr)	17.1000	-0.0198	336 - 389	17.1878	17.1375	17.1859	0.3	17.1441	0.4	-	-	115.8
Australia	(Bfr)	10.1885	-0.0034	489 - 280	50.2350	50.0580	50.2026	-0.4	50.1885	0.4	48.8895	0.3	116.5
Belgium	(Dfr)	8.5881	-0.0174	837 - 924	8.6015	8.5875	8.5928	-0.6	8.6122	-1.0	8.6540	-0.7	116.5
Denmark	(DKr)	7.4657	-0.0051	391 - 553	7.4640	7.4340	-	-	-	-	-	-	85.5
France	(FFr)	6.3586	-0.0051	391 - 553	6.3637	6.3538	6.3636	-0.8	6.3537	-0.1	6.3918	0.5	116.5
Germany	(DM)	2.4380	-0.0051	372 - 388	2.4435	2.3888	2.4371	0.3	2.4338	0.7	-	-	116.5
Greece	(Dr)	378.586	-4.897	367 - 402	378.923	378.089	-	-	-	-	-	-	128.9
Ireland	(Ir£)	1.0118	-0.0001	111 - 124	1.0165	1.0088	1.0117	0.1	1.0129	-0.4	1.0176	-0.3	104.8
Italy	(L)	246.127	-3.24	209 - 245	247.027	246.055	247.027	-2.7	247.12	-2.9	248.42	-2.7	75.3
Luxembourg	(Lfr)	50.1885	-0.0034	489 - 280	50.2350	50.0580	50.2035	-0.4	50.1885	0.3	48.8895	0.3	116.5
Netherlands	(Gld)	2.7322	-0.0004	318 - 354	2.7378	2.7289	2.7315	0.3	2.7281	0.6	2.6915	1.5	128.9
Norway	(Nkr)	16.0910	-0.0001	161 - 186	16.1034	16.0754	16.0918	0.0	16.0838	-0.1	16.0962	0.0	85.8
Portugal	(Esc)	202.278	-0.0001	202 - 224	202.591	202.031	202.591	-0.3	202.59	-0.8	-	-	116.5
Spain	(Ptas)	240.000	-0.004	209 - 249	242.530	241.630	242.583	-2.4	243.413	-2.2	248.246	-2.6	85.8
Sweden	(Skr)	11.7938	-0.0001	117 - 124	11.8023	11.7924	11.8188	-1.8	11.8003	2.3	12.0798	2.2	128.9
Switzerland	(Sfr)	2.0283	-0.0016	202 - 224	2.0295	2.0248	2.0287	1.5	2.0175	1.8	1.9985	-2.2	75.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	-
US	(\$)	1.5777	-0.0014	770 - 784	1.5798	1.5780	1.5791	-0.4	1.5782	-0.2	1.5734	-0.3	-
South Africa	(Rand)	6.500777	-0.0001	650 - 680	6.500777	6.500777	6.500777	-	6.500777	0.3	116.5	0.3	116.5
Argentina	(Peso)	1.5784	-0.0002	780 - 787	1.5798	1.5782	-	-	-	-	-	-	-
Brazil	(Cru)	1.3508	-0.0003	489 - 516	1.3517	1.3458	-	-	-	-	-	-	-
Canada	(Cdn)	1.2123	-0.0001	121 - 126	1.2129	1.2111	1.2116	0.2	1.2112	0.2	1.212	0.1	85.8
Mexico	(New Peso)	1.5838	-0.0041	590 - 690	1.5777	1.5765	-	-	-	-	-	-	-
USA	(\$)	1.5788	-0.0008	778 - 780	1.5790	1.5738	1.5784	0.5	1.5768	0.5	1.6011	1.1	61.5
Asia/Pacific	(Bch)	17.1000	-0.0198	336 - 389	17.1878	17.1375	17.1859	0.3	17.1441	0.4	-	-	115.8
India	(Rupee)	10.1885	-0.0034	489 - 280	10.2351	10.1811	10.2378	0.8	10.2130	-0.2	10.1572	-0.9	116.5
Hong Kong	(HK\$)	12.0001	-0.0037	874 - 628	12.2035	12.1681	12.1982	8.4	12.1991	0.2	12.2021	6.0	116.5
Japan	(Yen)	154.282	-0.0051	154 - 186	154.420	154.2740	154.282	-	154.282	-	147.482	4.4	116.5
Malaysia	(RM)	4.0038	-0.0008	343 - 372	4.0034	4.0025	4.0038	2.8	3.9927	3.4	3.9748	4.4	116.5
New Zealand	(NZ\$)	2.0290	-0.0008	128 - 234	2.0255	2.0135	2.0247	-1.8	2.0205	-1.8	2.0547	-1.3	116.5
Philippines	(Peso)	40.0000	-0.0001	400 - 424	40.0030	40.0076	-	-	-	-	-	-	116.5
Saudi Arabia	(Riyal)	2.0297	-0.0001	202 - 234	2.0295	2.0285	2.0297	-	2.0297	-	2.0297	-	116.5
Singapore	(S\$)	2.5374	-0.0101	382 - 385	2.5413	2.5343	-	-	-	-	-	-	116.5
South Africa	(Rand)	6.5829	-0.0124	808 - 849	6.5858	6.5581	6.5829	-	6.5829	-	6.5829	-	116.5
S. Africa (Cdn)	(Cdn)	6.8121	-0.17	573 - 371	6.8222	6.8765	-	-	-	-	-	-	116.5
South Korea	(Won)	1287.26	-3.61	690 - 732	1287.73	1283.06	-	-	-	-	-	-	116.5
Taiwan	(NT\$)	41.3957	-0.0003	288 - 403	41.4047	41.2013	-	-	-	-	-	-	116.5
Thailand	(Baht)	50.3555	-0.0491	352 - 403	50.3950	50.2950	-	-	-	-	-	-	116.5

12-hour rates for \$/Sfr, 30-day spreads in \$/Sfr, and 30-day three-month spreads. Forward rates are not directly quoted on the market but are implied by current interest rates. Spreading factor calculated by the Bank of England. Base average 100/US\$ = 100/US\$, Cdn\$ and Mid-rates in £.

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Spot	Closing mid-point	Change on day	On/Off spread	Day's high/low	One month Rate	Three months Rate	One year Rate	JP Morgan Index			
Europe	(Sch)	18.8596	-0.0005	670 - 720	19.0920	19.0880	19.0699	0.5	18.7945	0.7	104.2
Australia	(A\$)	31.7800	-0.06	700 - 100	31.8730	31.8710	31.7972	-0.3	31.881	-0.5	105.8
Belgium	(Bfr)	31.7800	-0.06	700 - 100	31.8730	31.8710	31.7972	-0.3	31.881	-0.5	105.8
Denmark	(DKr)	0.0732	-0.0211	714 - 750	0.0912	0.0914	0.0977	-1.3	0.1769	-1.7	104.8
Finland	(Fm)	4.0509	-0.0122	012 - 125	4.0279	4.0289	4.0509	0.0	4.1939	-0.4	106.11
France	(FFr)	5.2935	-0.01	022 - 125	5.2980	5.2780	5.2935	-0.4	5.2935	-0.2	108.4
Germany	(M)	1.5442	-0.0046	440 - 440	1.5442	1.5442	1.5442	-	1.5442	-0.2	108.4
Greece	(Dr)	239.820	+3.99	700 - 900	239.500	239.500	240.1	-1	240.726	-1.5	243.475
Ireland	(Ir£)	0.15604	+0.00027	088 - 111	0.15619	0.15554	0.15698	0.5	0.15698	1.4	106.1
Italy	(L)	31.7800	-0.06	700 - 100	31.8730	31.8710	31.7972	-0.3	31.881	-0.5	105.8
Netherlands	(Gld)	1.7306	-0.00057	801 - 131	1.7383	1.7380	1.7308	-0.2	1.7308	-0.1	1.7259
Norway	(Nkr)	0.7722	-0.015	713 - 733	0.8000	0.8000	0.7722	-0.9	0.7722	-1.5	0.6988
Portugal	(Esc)	128.126	-0.123	128 - 128	128.300	128.126	128.126	-1	128.126	-1.1	128.126
Spain	(Ptas)	128.126	-0.123	128 - 128	128.300	128.126	128.126	-1	128.126	-1.1	128.126
Sweden	(Skr)	7.4704	+0.0112	095 - 74	7.4986	7.4986	7.4699	-2.7	7.5254	-2.9	7.7179
Switzerland	(Sfr)	1.2958	-0.003	830 - 840	1.2989	1.2989	1.2958	-1.4	1.2989	1.2	1.2989
UK	(£)	1.2958	-0.003	830 - 840	1.2989	1.2989	1.2958	-1.4	1.2989	1.2	1.2989
US	(\$)	1.2958	+0.00033	351 - 361	1.2981	1.2922	1.2947	0.3	1.2922	0.8	1.2955
South Africa	(Rand)	1.46890	-	-	-	-	-	-	-	-	-
Argentina	(Peso)	0.9936	+0.0002	997 - 998	0.9998	0.9999	-	-	-	-	-
Brazil	(Cru)	0.8355	+0.00005	595 - 598	0.8500	0.8548	-	-	-	-	-
Canada	(Cdn)	1.3476	+0.001	440 - 448	1.3454	1.3434	1.3448	-0.3	1.3468	-0.4	1.2833
Mexico	(New Peso)	1.3476	-0.003	950 - 930	1.3498	1.3569	1.3385	-0.4	1.3407	-0.3	84.5
USA	(\$)	1.3476	-0.003	950 - 930	1.3498	1.3569	1.3385	-0.4	1.3407	-0.3	84.5
Asia/Pacific	(Bch)	17.1000	-0.0198	336 - 389	17.1878	17.1378	17.1859	0.3	17.1441	0.4	-
Hong Kong	(HK\$)	17.1000	-0.0198	336 - 389	17.1878	17.1378	17.1859	0.3	17.1441	0.4	-
India	(Rupee)	10.1885	-0.0034	489 - 280	10.2333	10.1881	10.2333	-0.4	10.1885	0.3	48.8895
Japan	(Yen)	154.282	-0.0051	154 - 186	154.282	154.282	154.282	-	154.282	0.3	116.5
Malaysia	(RM)	4.0000	-0.0001	400 - 424	4.0000	4.0000	4.0000	-	4.0000	0.3	116.5
New Zealand	(NZ\$)	1.9500	-0.0008	618 - 614	1.9628	1.9590	1.9609	-0.7	1.9628	-0.7	1.8891
Philippines	(Peso)	25.5000	-0.0	500 - 500	26.8500	26.8500	-	-	-	-	-
Saudi Arabia	(Riyal)	2.0283	-0.0001	202 - 224	2.0283	2.0283	2.0283	-	2.0283	0.3	116.5
Singapore	(S\$)	1.4905	+0.00036	600 - 816	1.4915	1.4925	1.4792	-1.1	1.4773	6.9	1.4705
South Africa	(Rand)	6.500777	-0.0001	650 - 680	6.500777	6.500777	6.500777	-	6.500777	0.3	116.5
South Korea	(Won)	100.0000	-0.0001	1000 - 1024	100.0000	100.0000	100.0000	-	100.0000	0.3	116.5
Taiwan	(NT\$)	11.7938	-0.0001	117 - 124	11.7938	11.7938	11.7938	-	11.7938	0.3	85.8
Thailand	(Baht)	50.1885	-0.0034	489 - 280	50.2333	50.1881	50.2333	-0.4	50.1885	0.3	48.8895

Source: Reuters. For Sep 23, the pound sterling is quoted against the dollar. Forward rates are not directly quoted to the market but are implied by current interest rates. The dollar spot rate is quoted against the pound sterling. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland and EU are quoted in US dollars. J.P. Morgan is quoted in US dollars. All rates are for 100 units of the foreign currency.

## CROSS RATES AND DERIVATIVES

Belgium	(Bfr)	100	18.11	16.81	25.65	2.016	4.004	5.444	21.30	406.2	40.9	23.50	4.30
Denmark	(DKr)	52.34	16	8.694	2.543	1.014	2.567	2.949	11.18	250.7	201.9	12.50	2.11
France	(FFr)	60.20	11.50	16	2.025	1.213	2.025	3.577	12.82	360.7	246.2	14.4	2.43
Germany	(DM)	3.20	1.58	16	2.025	1.213	2.025	3.577	12.82	360.7	246.2	14.4	2.43
Greece	(Dr)	40.83	4.94	8.245	2.411	1	2.434	2.702	15.07	246.3	200.0	11.68	2.20
Italy	(L)	2.059	0.300	0.339	0.099	0.041	1.00	0.11	0.434	10.12	8.12	8.12	0.09
Netherlands	(Gld)	1.01	0.518	16	2.025	1.213	2.025	3.577	12.82	360.7	246.2	14.4	2.43
Portugal	(Esc)	46.84	5.880	7.798	2.221	0.046	2.202	2.556	16	232.8	189.9	11.478	1.89
Spain	(Ptas)	30.15	3.851	3.348	0.979	0.40	0.984	1.097	4.293	1.00	81.20	4.735	0.81
Sweden	(Skr)	47.44	12	4.125	1.008	0.700	1.017	1.345	10.12	246.3	200.0	11.68	2.20
Switzerland	(Sfr)	42.58	1.382	7.070	2.008	0.858	2.007	2.317	10.07	211.2	171.5	16	1.71
United Kingdom	(£)	34.77	4.732	1.16	1.203	0.499	1.215	1.548	6.276	122.9	90.80	8.19	1
United States	(\$)	24.55	4.42	4.125	1.008	0.700	1.017	1.345	10.12	246.3	200.0	11.68	2.20
Canada	(Cdn\$)	23.65	4.183	3.529	1.149	0.475	1.160	1.287	6.038	117.3	92.99	5.666	0.59
Japan	(¥)	31.78	6.072	5.579	1.544	0.804	1.559	1.730	8.770	151.7	128.1	7.467	1.28
U.S.	(¢)	32.54	6.218	5.406	1.551	0.856	1.598	1.772	8.333	151.6	131.1	7.546	1.41
Other		96.30	7	7.898	1	0.000	1	1.000	1.000	1.000	1.000	1.000	1.000

British Pound, French Franc, Deutsche Mark, and Swedish Krona per 100; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.



**LONDON SHARE SERVICE**

LEISURE



**TRANSPORT - Cont**

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4 pm close September 23

## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

NYSE LISTED STOCKS									
Symbol	Company	Price	Change	Volume	High	Low	Open	Close	Adj. Close
100	IBM Corp	100.00	+0.12	1,200,000	100.12	99.88	100.00	100.12	100.00
101	Microsoft	45.00	+0.25	800,000	45.25	44.75	45.00	45.25	45.00
102	Apple	35.00	+0.10	600,000	35.10	34.90	35.00	35.10	35.00
103	Oracle	25.00	+0.15	400,000	25.15	24.85	25.00	25.15	25.00
104	Sun Microsystems	20.00	+0.10	300,000	20.10	19.90	20.00	20.10	20.00
105	Novell	15.00	+0.05	200,000	15.05	14.95	15.00	15.05	15.00
106	Lotus Development	12.00	+0.02	150,000	12.02	11.98	12.00	12.02	12.00
107	Intuit	10.00	+0.05	100,000	10.05	9.95	10.00	10.05	10.00
108	Parsons Technology	8.00	+0.03	80,000	8.03	7.97	8.00	8.03	8.00
109	Veritas Software	7.00	+0.02	70,000	7.02	6.98	7.00	7.02	7.00
110	Sequent Software	6.00	+0.01	60,000	6.01	5.99	6.00	6.01	6.00
111	3Com Corp	5.00	+0.01	50,000	5.01	4.99	5.00	5.01	5.00
112	Perceptics Corp	4.00	+0.01	40,000	4.01	3.99	4.00	4.01	4.00
113	NetScout Systems	3.00	+0.01	30,000	3.01	2.99	3.00	3.01	3.00
114	NetScout Systems	2.00	+0.01	20,000	2.01	1.99	2.00	2.01	2.00
115	NetScout Systems	1.00	+0.01	10,000	1.01	0.99	1.00	1.01	1.00
116	NetScout Systems	0.50	+0.01	5,000	0.51	0.49	0.50	0.51	0.50
117	NetScout Systems	0.25	+0.01	2,500	0.26	0.24	0.25	0.26	0.25
118	NetScout Systems	0.10	+0.01	1,000	0.11	0.09	0.10	0.11	0.10
119	NetScout Systems	0.05	+0.01	500	0.06	0.04	0.05	0.06	0.05
120	NetScout Systems	0.02	+0.01	250	0.03	0.01	0.02	0.03	0.02
121	NetScout Systems	0.01	+0.01	100	0.02	0.00	0.01	0.02	0.01
122	NetScout Systems	0.00	+0.01	50	0.01	0.00	0.00	0.01	0.00
123	NetScout Systems	0.00	+0.01	25	0.01	0.00	0.00	0.01	0.00
124	NetScout Systems	0.00	+0.01	10	0.01	0.00	0.00	0.01	0.00
125	NetScout Systems	0.00	+0.01	5	0.01	0.00	0.00	0.01	0.00
126	NetScout Systems	0.00	+0.01	2	0.01	0.00	0.00	0.01	0.00
127	NetScout Systems	0.00	+0.01	1	0.01	0.00	0.00	0.01	0.00
128	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
129	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
130	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
131	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
132	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
133	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
134	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
135	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
136	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
137	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
138	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
139	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
140	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
141	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
142	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
143	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
144	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
145	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
146	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
147	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
148	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
149	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
150	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
151	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
152	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
153	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
154	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
155	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
156	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
157	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
158	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
159	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
160	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
161	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
162	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
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165	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
166	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
167	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
168	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
169	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
170	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
171	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
172	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
173	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
174	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
175	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
176	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
177	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
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179	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
180	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
181	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
182	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
183	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
184	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
185	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
186	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
187	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
188	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
189	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
190	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
191	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
192	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
193	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
194	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
195	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
196	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
197	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
198	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
199	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00
200	NetScout Systems	0.00	+0.01	0	0.01	0.00	0.00	0.01	0.00

Continued on next page

Have you  
Financial



4 PM Close September 23

**Financial Times. Europe's Business Newspaper.**

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## FT GUIDE TO THE WEEK

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MONDAY

## Yeltsin addresses the UN

US president Bill Clinton and Russia's president Boris Yeltsin are both due to address the 49th session of the United Nations General Assembly in New York.

Mr Yeltsin is expected to talk on nuclear arms reductions and the role of Russia in the world - especially its own part of the world, the former Soviet Union. He will then meet US business leaders before flying to Washington.

**The European Parliament** begins an all-week plenary session, its first since the Euro-elections in June. Attention will centre on internal reform to make the Strasbourg assembly more efficient, now that it has enhanced powers under the Maastricht treaty.

The main debates will be on: multi-speed Europe; whether the Parliament should sit in Strasbourg, as France insists, or in Brussels alongside the Commission and Council of Ministers; and on the confirmation hearings Euro-MPs plan to hold in November for members of the new Commission, whose nominations they can veto.

**UK-Russian trade:** Russia's deputy prime minister for the economy, Alexander Shokhin, visits London for talks with the Russian-British Committee for Trade and Investment, of which he is co-chair with Michael Heseltine, the UK trade and industry secretary. Mr Shokhin will press for more access to the British market for Russian goods and for work to start on such projects as the Moscow telephone system, which was agreed with the UK two years ago.

**UK telecoms:** Energis, the UK's third long-distance telecommunications company, is launched. Energis, a subsidiary of the National Grid, has erected its network across the Grid's pylons. Its marketing pitch includes significant discounts on BT tariffs for long-distance calls.

**Consumer congress:** The International Organisation of Consumers Unions, representing consumers' groups from 72 countries, begins its 14th world congress in Montpellier, France (to Sep 30).

**Salerooms:** Sotheby's opens the art market season with two house sales. Today, the Corsini family of Florence starts to dispose of some 2,000 objects culled from the guest suites, library and store-rooms of its 18th century baroque palazzo, where the auction is being held. The family hopes to raise £1m (\$1.58m) for restoration work.

On Wednesday, at Stokesay Court in rural Shropshire in the west of England, Victorian treasures which had been lost for more than 50 years come under the hammer in Sotheby's biggest house sale for a decade.

**FT Survey:** Using Computers in Business.

**Holidays:** Israel.

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TUESDAY

## US interest rates in focus

The US Federal Reserve's Open Markets Committee, its policy-making body, meets in Washington amid signs that demand is still growing steadily, despite five interest rate increases this year. Most economists expect the Fed will have to raise rates again before the year is out, although few believe it will do so at this meeting.

**Boris Yeltsin,** Russia's president, holds talks with US president Bill Clinton in Washington. Bosnia, nuclear arms reductions, trade and investment figure on the agenda, with the US pressing for speedier economic reforms.

**Japan pitches for UN seat:** Foreign minister Yohei Kono, addressing the United Nations General Assembly in New York, is expected to make Japan's clearest bid yet for permanent membership of the security council. He will say Japan is willing to assume the duties of membership, but cannot take part in military operations involving force because of its pacifist constitution.

**Aid initiatives:** Kenneth Clarke, the UK chancellor, will launch an initiative to help ease the debt burden of some of the poorest developing countries when he meets fellow Commonwealth finance ministers in Malta on the first day of their two-day annual conference.

**The Bank of Italy's** governing council holds its first monthly meeting after the summer recess with the issue pending of nominating a director-general to succeed Lamberto Dini, who became treasury minister in May. It has become a sensitive issue in relations between the central bank and the Berlusconi government, with the Bank of Italy seeking to preserve its autonomy over the appointment.

**Romania's president,** Ion Iliescu, on his first state visit to the US, holds talks with International Monetary Fund and World Bank officials in Washington. The visit, which includes a meeting with President Bill Clinton, is being seen as a sign of improved relations, strained by the Iliescu administration's handling of anti-government demonstrations in 1990 and 1991.

**Cleaner than thou:** The Tidy Britain Group will spread anger and delight by publishing its first cleanliness ranking of British cities.

**FT Surveys:** Mauritius and Business Locations in Europe.

**Holidays:** Israel.

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WEDNESDAY

## IMF gives its world outlook

The International Monetary Fund will publish updated forecasts for the world economy ahead of next week's annual meetings of the IMF and World Bank in Madrid. Its latest World Economic Outlook will upgrade the near-term growth forecast for the Group of Seven leading industrial countries from the annual rate of 2.5 per cent predicted by the Fund in April.

**OECD headship:** Ambassadors of the 26 member countries of the Organisation for Economic Co-operation and Development meet in Paris with little hope of ending the impasse over who should be the next OECD secretary-general.

There is little sign that the OECD's decision-making council can achieve the consensus needed to choose either present incumbent Jean-Claude Paye or Canadian challenger Donald Johnston when it meets on Thursday. That would leave the OECD top job in limbo once Paye's contract expires on Friday.

**European Union industry ministers** convene in Brussels to discuss the European Commission's action plan to prepare for the new "information society" covering multi-media, telecoms liberalisation and electronic banking.

The German presidency will also consider latest progress in restructuring the European steel industry, amid clear evidence of an economic upturn.

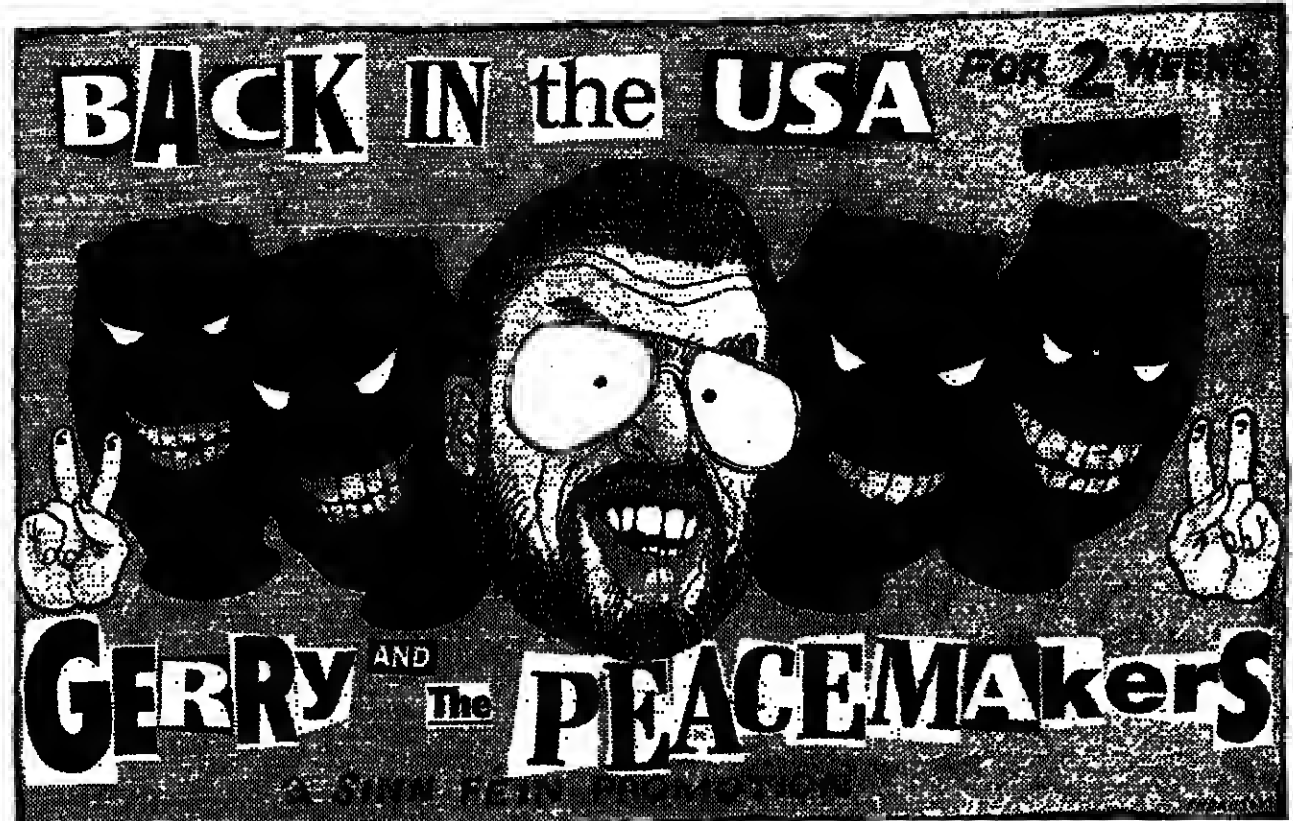
**Pensions ruling:** The European Court of Justice will deliver its opinion in six separate cases which will determine how European employers equalise pension benefits for men and women. Pension benefits for part-timers and single-sex annuity rates are also key issues.

**House sale at Stokesay Court:** Sotheby's four-day sale of antiques and treasures at Stokesay Court, near Ludlow, Shropshire, is expected to raise £2.5m (\$3.95m) from 5,000 items.

They were locked away for security in 1941 and are wonderfully preserved. The highlight is a Louis XIV bouille commode of 1710, estimate £100,000. Among the oddities are suits of 18th century Japanese armour (one illustrated above), and some Fortnum and Mason dried turtle - together with instructions for making turtle soup.

**Showjumping:** The Horse of the Year Show begins at Olympia, London (to Oct 2).

**Holidays:** Taiwan.



Sinn Féin leader Gerry Adams is touring the US for two weeks. There is controversy over the backgrounds of some of his aides and advisers.

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THURSDAY

## Report due on Berlusconi

Three legal experts, appointed by Italian premier Silvio Berlusconi on taking office in May to examine if there is a conflict of interest between his roles of prime minister and owner of the Fininvest media empire, are due to present their proposals.

The unresolved issue remains a handicap for Mr Berlusconi and is becoming enmeshed in a controversy over recent appointments at the RAI, the state-run broadcasting organisation.

**Nato defence ministers** meet informally in Seville, against a background of mounting tension in Bosnia and transatlantic strains over military tactics in former Yugoslavia. France, a rare participant in high-level Nato discussions, will attend. Germany and the US have signalled they want to discuss admitting former communist states in central and eastern Europe.

**US trade policy:** The US International Trade Commission holds a hearing in Washington on a controversial report to assess the economic effects of US anti-dumping policies and countervailing duty orders.

**Amsterdam's bourse** closes at 10am GMT ahead of the introduction of a new trading system on Friday.

**World Maritime Day,** declared by the United Nations' International Maritime Organisation, is devoted to the training and standards of merchant navy crews.

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FRIDAY

## Slovakia holds election

Two days of voting start in Slovakia in the first general election since independence last year. The pro-reformers of the outgoing government of Jozef Moravčík are pitted against the strongly nationalist opposition, led by former prime minister Vladimir Mečiar.

**US-Japanese trade:** A 60-day consultation period expires. It was designed to settle disputes over cars and car parts. Japanese government procurement in medical and telecommunications equipment, flat glass and insurance. Washington has threatened sanctions failing agreement. At least a partial deal seems to be in the making, with partial sanctions likely for unresolved issues.

**United Nations peace-keeping troops'** mandate in former Yugoslavia expires, but is expected to be renewed for another six months.

**UK nuclear power:** Deadline for submissions to the government's review of the industry. The main issue is whether to build more nuclear power stations, and if so, whether construction can be financed by the private sector.

**UK financial regulation:** The last day for life insurers and financial advisers to apply to be regulated by the Personal Investment Authority, the new watchdog to protect private investors.

**FT Survey:** World Economy and Finance.

1-2

WEEKEND

## IMF meetings in Madrid

Finance ministers and central bankers of the Group of Seven countries meet in Madrid on Saturday ahead of the annual meetings of the International Monetary Fund and World Bank to discuss strengthening world output, recent turbulence on financial markets, and how best to help Russia and Ukraine.

On Sunday, the IMF's policy-making Interim Committee tries to break the deadlock on issuing new special drawing rights or SDRs, the IMF's reserve asset, aided by joint proposals from the British and US treasuries.

**Palau ends its status** as the last United Nations trust territory in the Pacific on Saturday and becomes formally linked to the US.

**Nelson Mandela,** South African president, begins his first state visit by a South African leader to the US on Saturday (to Oct 6).

**Milan's spring and summer** ready-to-wear fashion shows start on Sunday (to Oct 6).

**The Asian Games** open on Sunday in Hiroshima, western Japan, bringing together more than 7,200 athletes from 42 countries (to Oct 16). The possible attendance of Taiwanese government officials is annoying China, which has spoken of boycotting the event.

Compiled by Patrick Stiles.  
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## ECONOMIC DIARY

## Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual	Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	US	Aug existing home sales	-	3.95m	Fri	US	Aug personal income	0.4%	0.6%
Sep 26	Japan	Aug supermarket sales	-	2.8%	Sep 30	US	Aug personal consumer expend	0.7%	0.2%
	Denmark	Aug wholesale price index	-	1.1%		US	Sep Chicago purchase managers index	-	61.8%
Tue	US	Sep consumer confidence	80	89		US	Sep Michigan sentiment, final	-	82.2
Sep 27	US	Johnson Redbook, w/e Sept 24	-	3%		US	Sep agricultural prices	-	1.5%
	Japan	Jul coincident index	40%	50%		Japan	Sep consumer prices index (Tokyo)	0.0%	-0.2%
	Japan	Jul leading index	80%	64.5%		Japan	Sep CPI, ex perishables	0.7%	0.7%
Wed	US	Aug durable orders	3.6%	-4.3%		Japan	Aug CPI (national)	-0.1%	-0.2%
Sep 28	US	Aug durable shipments	-	-3%		Japan	Aug CPI, ex perishables	0.7%	0.8%
	Japan	Aug retail sales	1.4%	1.2%		Japan	Aug construction orders	-	17.5%
	Canada	Aug industrial production P.I.	-	1%		France	Aug unemployment rate	12.6%	12.6%
Thu	US	Gross domestic prod final, 2nd qtr	3.8%	3.8%		France	Aug job seekers	-	3.3m
Sep 29	US	GDP deflator final, 2nd qtr	2.9%	2.9%		Canada	Jul real gross dom prod, full cost	0.4%	0.5%
	US	After tax corp profit, 2nd qtr	7.4%	7.4%					
	US	Initial claims, w/e Sept 24	325,000	320,000					
	US	State benefits, w/e Sept 17	-	2.84m					
	US	Aug new home sales	680,000	664,000					
	US	Aug export price index	-	0.3%					
	US	Aug import price index	-	1.1%					
	US	M2, w/e Sept 19	\$4.5bn	\$1.2bn					
	Japan	Aug industrial production	1.9%	-1.7%					
	Japan	Aug shipments	-	-1.2%					
	Japan	Sep wh'sale price index (2nd 10 days)	-	0.1%					
	Canada	Jul full-weighted price earnings	2.2%	2.1%					
	H Kong	Aug provisional trade balance	-	-\$0.6bn					

\*month on month, \*\*year on year, seasonally adjusted. Statistics courtesy MMS International.

## Other economic news

**Monday:** UK Chancellor Kenneth Clarke and Eddie George, Bank of England governor, hold their monthly monetary meeting. No action is expected after this month's base rate rise, but today's monthly monetary report from the Treasury will provide the background to the discussions.

**Tuesday:** The US Conference Board publishes its September consumer confidence index, with analysts on average expecting a slight rebound to 90, from 89 in August.

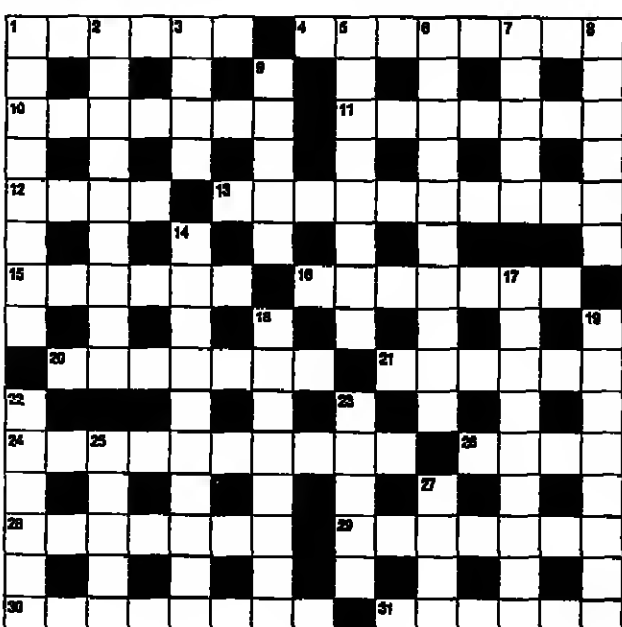
**Wednesday:** US durable goods orders for August are expected to rise if the volatile transport component recovers. Thursday's Bundesbank council meeting is expected to leave key German interest rates unchanged ahead of next week's IMF meetings in Madrid.

**Friday:** UK Chartered Institute of Purchasing & Supply publishes its purchasing managers' index. This, the first UK economic indicator for September, will be scrutinised for signs of a slowing economy after last week's CBI survey.

In the US, some analysts expect the Chicago purchasing managers' index for September to fall again after declining in each of the past four months.

- ACROSS**
- Head back ahead of time to get some soup (6)
  - Fought and rushed round about wrecked car parking (8)
  - Upright, but not well-behaved (7)
  - All-round men - a bit unusual (7)
  - Some trite magazine article (4)
  - They provide simple remedies (10)
  - The pupil relaxed when let out (6)
  - The clue here is "A sportsman's dog" (7)
  - Tell soldiers to number (7)
  - Offer to be treated with a certain circumspection (6)
  - He's considered a gambling man (10)
  - Many end getting hurt (3)
  - Possibly ten will take a drink and wind up together (7)
  - Individual with a pragmatic attitude where a catalogue is concerned (7)
  - Team-leader coming down for instruction (6)
  - Book and gradually move in left and right (6)

- DOWN**
- Parcel it out, though there's very little (8)
  - Restrained irritation over a note (8)
  - Leave a pound, but object (4)
  - Reading matter at one time available to males only (8)
  - Cab's meal - an awful mish-mash - transport provided for those who are sick (10)
  - Sue reporters (5)
  - Dilemma of French examination (6)
  - To back up a woman, just to be different (5)
  - Grit, that's the answer! (10)
  - Winning over the listener in the finish (9)
  - Occupy oneself with reading German article about an egg distributor (6,3)
  - A pusher - or pro tem anyway (3)
  - The appearance of a page in school (6)
  - Get on to a governing body (5)
  - Out of picture mounts - additional supplies wanted (5)
  - Sound animal given no protection (4)

MONDAY PRIZE CROSSWORD  
No.8,568 Set by VIXEN

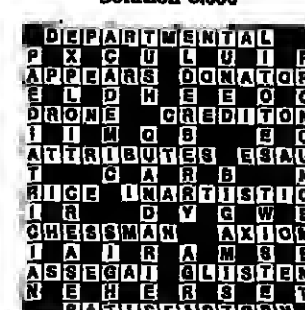
A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of 250 Pelikan vouchers will be awarded. Solutions by Thursday October 6, marked Monday Crossword 8,568 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 8HL. Solution on Monday October 10.

Name \_\_\_\_\_  
Address \_\_\_\_\_

## Winners 8,566

Chris Vye, Carshalton, Surrey  
Mrs S.A. Bell, West Ham, Derby  
R.J. Bond, Shirley, Southampton  
Z.I. Hosking, Bromham, Bedford  
A. Russell, Comberton, Cambridgeshire  
J. Styles, London SE6

## Solution 8,566



Of breaking and jolting the Pelikan's fond,  
See how sweetly he puts your word onto band.

Pelikan

JOTTER PAD



# USING COMPUTERS IN BUSINESS

Monday September 26 1994

The confusion and uncertainty which has characterised the computer industry over the past five years is mirrored among its customers. There has never been a greater need for sound consultancy and advice as technological advances provide a bewildering variety of options for companies looking for greater economies and better information.

At the same time, a new and technologically-aware cadre of managers is beginning to make its presence felt in many companies.

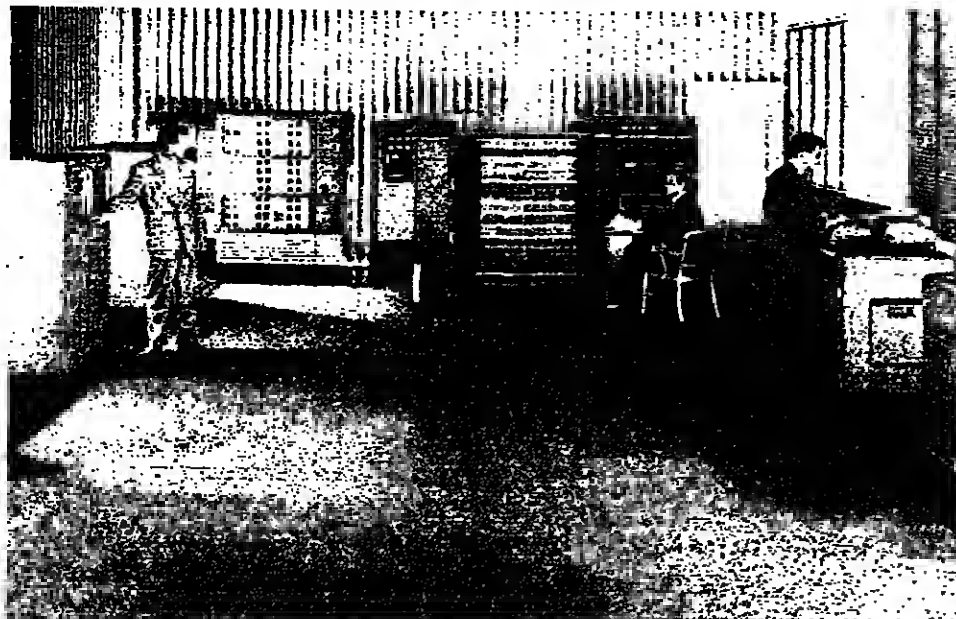
According to the Price Waterhouse Information Technology Review, which monitors change in the data processing business: "The good news is that the days when IT directors joined the board for a title and little else may be gone. They are now in the inner sanctum of policy makers. It is the renowned convergence of the IT director and the chief executive officer that is the really exciting idea."

Well, perhaps. The fact remains that corporate data processing is going through some of the most radical changes since electronic computers were first used in business in the 1950s.

To some extent this is the result of developments in computer technology which are making possible new ways of doing business. But it is also a consequence of a disaffection among customers with the high-handed attitude during the 1980s of computer manufacturers who attempted to dictate data processing strategies to their customers.

As a consequence, data processing was one of the first capital spending areas to be cut back when recession hit both in the US and Europe. International Data Corporation, the business consultancy says: "Both corporate results and market trends confirm that 1993 was the worst year in the history of information technology in Europe, with a growth of only 2 per cent following five consecutive years of decline."

It adds: "The information technology business is starting to bottom out from this nega-



Radical changes: (left) the IBM 701 mainframe, first introduced in 1952 and (right) a state-of-the-art power team - Computervision's GADDS 5 Rev 4.0 running on Hewlett-Packard's HP 9000 Series 700 workstation



## A bewildering variety of options

Corporate data processing is going through some of the most radical changes since electronic computers were first used in business in the 1950s, writes Alan Cane

tive cycle with signs that recovery is finally on its way." IDC estimates that growth across Europe is likely to be about 4 per cent this year.

What sort of data processing business is likely to emerge, however? The apparent recovery begs a number of important questions. First, are suppliers of data processing equipment truly listening to their customers' requirements or are they still intent merely on selling the latest technology, relevant or not?

The shift from mainframes to networks of personal computers and mid-range computers (client-server systems) is a case in point. The basic proposition is simple: because micro-processor-based, distributed systems cost less than central mainframes it makes economic sense to move from mainframes to client server networks.

A result has been a steady decline in mainframe revenues which has hurt all the large computer manufacturers while generating business for PC and workstation makers.

According to an Economist research report: "An extraordinary feature of the recession of the early 1990s has been the propensity for European customers to keep buying (personal) computers. There have been cut-backs, budget freezes and huge numbers of bankruptcies and redundancies yet the PC market has grown by 12.5 per cent in units terms in 1992 and by around 14 per cent in 1993. Projections for 1994 are that demand will continue to rise and that unit growth could increase by more than 20 per cent on 1993."

But purchase of machinery does not automatically translate into savings. An important point is that client-server computing is different in kind to traditional data processing. It seeks to spread computing power throughout the organisation, giving a broader range

of personal access to information and processing power.

One indication of this is the way the expression "executive information system" - a way of extracting and consolidating essential information from a company's database - has fallen into disuse. Today, the aim is to provide the appropriate information to people at all levels in a company.

There is a cost associated with all this. According to the Gartner Group, which assesses business data processing strategies, client server systems are expensive and labour consuming. For a hypothetical large organisation it estimated a total cost of ownership over five years at \$241.8m of which less than 20 per cent was the cost of hardware.

An analysis published by International Business Machines, which has a vested

interest in mainframe sales, suggests that the cost per user per year of a PC network is \$6,445 while the comparable cost for a mainframe user is only \$2,282. It goes on to suggest the average cost per transaction for a PC network is 43 cents but only three cents for a mainframe-based system.

What cannot yet be factored into the equation is the business benefits of either approach. In general, client-server computing would seem to offer greater flexibility and applicability than mainframe systems but it is still in an early state in its development. The pros and cons of moving to client-server computing need to be weighed carefully.

A second question concerns business process re-engineering (BPR), an essentially sim-

ple idea which has established itself quickly in the canon of management jargon. BPR involves changing the way a company carries out its business operations to make them more effective rather than automating what already exists. It is a little like redesigning an aircraft in flight. Great skill is required to prevent a crash before the process is complete.

Nevertheless, a majority of the world's largest companies claim to be re-engineering all or part of their business as they move from the large, centralised operations with hierarchical chains of command focused on products which were typical of the 1980s to dispersed partnerships conferring local autonomy on their managers with a sensitivity to consumer requirements. The Price Waterhouse review notes that

there are now two distinct types of BPR. First, where a business process is transformed, but the business remains the same. It gives as an example a chemicals company which eliminated 42 kinds of invoices and its order office by switching to electronic data interchange.

Second, where the business itself is transformed with new objectives and a new organisational structure. A building society, for example, reconstituted its branches as customer service centres staffed by salespeople with automated cash machines for deposit and dispensing. The key is that technology is used to implement change rather than the other way about. Mr Thomas Davenport of Ernst & Young in his book *Process Innovation* makes the need for continuous development plain: "A company that does not institute continuous improvement after implementing process innovation is likely to revert to old ways of doing business."

A third question about the new data processing environ-

### IN THIS SURVEY

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ment concerns outsourcing. Many large companies are beginning to treat data processing as if it were a commodity such as gas or electricity, contracting with a third party for its supply at an agreed service level for an agreed price.

The UK government's "market testing" programme for services including tax and vehicle registration has highlighted what is for many companies a controversial area. Outsourcing can be seen alternatively as giving away the company's crown jewels or giving up a non-core activity. The key is the quality of the deal.

Business Intelligence, a marketing consultancy, noted earlier this year that many companies have been tempted by substantial apparent cost savings into poorly thought out contracts that may cost them more than maintaining their data processing in-house.

This survey deals in depth with these and other issues vital to companies as they move into the new era of business data processing. The indications are that they must remain on their guard. Suppliers may pay lip service to customer power but may have little intention of letting them exercise it.

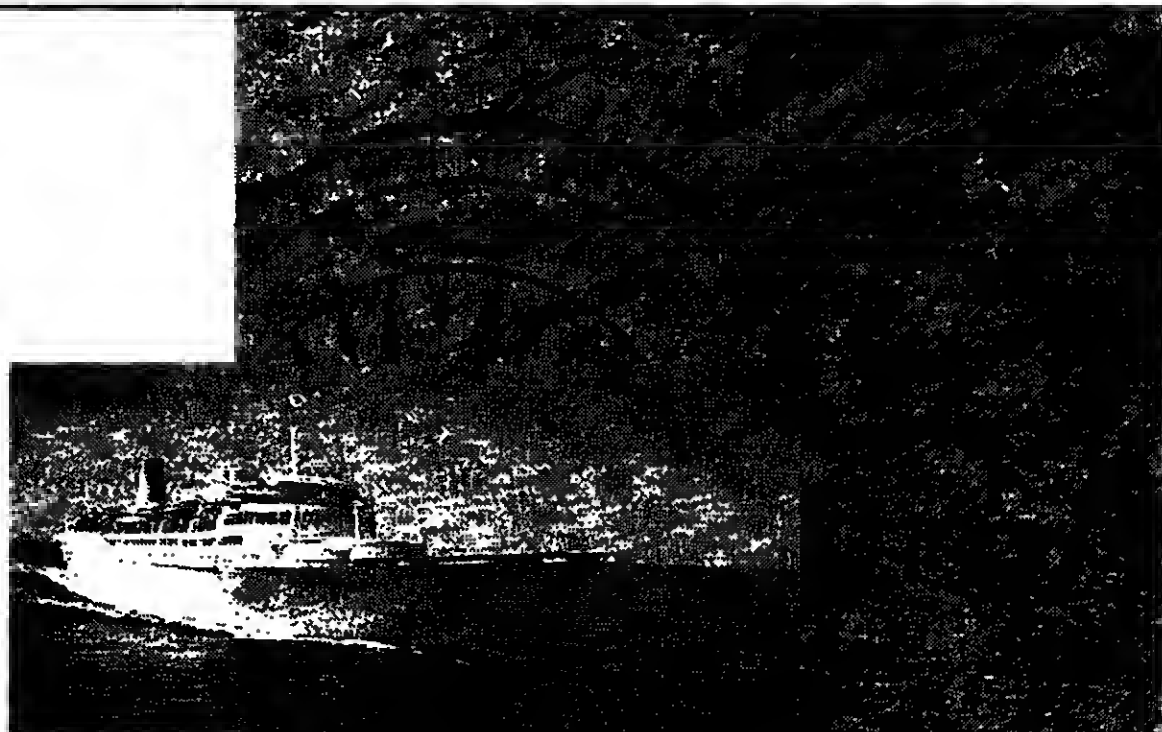


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USING COMPUTERS IN BUSINESS 2

OUTSOURCING: ADVANTAGES

In the hands of the experts

The concept of outsourcing is not an invention of the computer age. Any company that hires external cleaners, or relies on a local caterer to supply board meetings with sandwiches is in the business of outsourcing.

The established practice of contracting out necessary services and the complex world of managing IT systems collided with a vengeance when companies began to evaluate computing costs. By the late 1980s it was all too evident that IT projects were prone to run over budget and suck in extra staff.

In the financial world some institutions found that a disturbing proportion of their workforce was employed in the IT function. This triggered a political friction, and prompted a movement aimed at putting IT firmly back in its place, as a critical but subordinate function of the core business.

Here lies the real attraction of outsourcing. Pick a supplier and hand over the entire responsibility for running IT within an organisation. Budgets are fixed in advance, and

Budgets are fixed in advance, and the supplier has to worry about any unforeseen expense, writes Michael Dempsey

the supplier has to worry about any unforeseen expense. Recruiting specialist staff is left to the outside contractor, who may take over the customer's own IT department.

The key to any outsourcing deal is the Service Level Contract (SLC). As long as the law says they have done their job, the SLC should be watertight. A well-drafted SLC embraces the question of handing over the contract to another contractor or returning it to the customer.

In practice, the business of outsourcing cannot afford disgruntled users. Any leading outsource will co-operate in handing over business to a rival with a smile, however forced.

Third Party Maintenance (TPM) can involve hiring off parts of the technology mandate to qualified contractors

Some law firms have fastened on the world of outsourcing as a lucrative new field. Legal specialists in the outsourcing area are not common, but hiring a lawyer with the right experience is essential in order to get the most out of the contract.

The IT sector loves jargon, so a variety of terms have been adopted to describe aspects of outsourcing. Systems Integration is a project-based approach, aimed at getting one defined system up and running. Facilities Management is a common term to cover outsourced computer operations, while Third Party Maintenance (TPM) can involve hiring off parts of the technology mandate to qualified contractors.

CASE STUDY

Olivetti wins five-year £11m deal

Haw Medcraft is head of technical services at Maidenhead-based airline reservations giant Galileo. Galileo is a leading player in the highly competitive world of Computerised Reservations Systems (CRS), servicing UK travel agencies.

IT is at the heart of Galileo's operations. Including peripheral devices such as printers, Medcraft is responsible for 24,000 high-technology items attached to Galileo's UK network.

He has just assigned the role of keeping those machines up and running to a third party, Olivetti, in a five-year £11m deal.

Medcraft explains that his organisation already out-

sourced a number of services. But IT was different. "Outsourcing only becomes a big issue when your own staff are performing the task that is going to be contracted out." With an annual IT spend in the region of £20m, the IT operation is certainly a significant item on Galileo's balance sheet. But it doesn't make sense to take care of every detail on an in-house basis.

"In an organisation of our size, it's not cost-effective to support all those workstations," Olivetti's outsourcing task is restricted to engineering support, including software maintenance.

Galileo has decided to retain control of the network that binds some 2,400 travel agents to Galileo.

If Medcraft is committed to the idea of outsourcing, why not go the whole way? "We have always seen the network as a source of competitive advantage. It is the ability to deliver airline tickets that is core to our business." Specifically, Medcraft



Michael Wiltshire highlights advances in desktop publishing

believe there is nothing to gain and everything to lose by outsourcing this function. "We wouldn't save money and we could lose control of the strategic elements of our business."

Galileo expects to make real savings on these aspects of its work that have been outsourced. Despite initial charges, such as the termination of property leases, Medcraft reckons the outsourcing contract will produce a saving of £2m over the five years.

The handover date was August 1 this year. But the 52 engineers were told that they were going to a new employer at the beginning of May. "We want to keep those skills on our side even though the people will be working for Olivetti. We provided a clear opportunity for the staff to talk the deal through with their new employer."

Medcraft believes that keeping staff happy is an integral part of successful outsourcing. And Galileo has kept its grip on its business objectives.

"Outsourcing has not allowed us to relieve ourselves of any obligations. We still deliver the same services, but now our managers can focus on improving the product for the end customer."

And the attraction of outsourcing is mutual. Galileo has just lost Graham Harrison, its commercial director, to outsourcing giant EDS. Harrison has been appointed managing director of the EDS financial services division.

OUTSOURCING: DISADVANTAGES

A clear exit route is vital

It is easy to view outsourcing as a panacea, the means to shrug off the tiresome responsibility of running an IT operation parallel to the core business. But hiring off a critical business function can have serious drawbacks, writes Michael Dempsey.

Data is an important asset and the value of this asset often depends on confidentiality. Virgin Airways discovered to its cost that a third party cannot always be trusted to play by the book. British Airways maintained Virgin's computer booking system and BA staff accessed the Virgin data to poach customers and analyse sensitive information on route profitability.

Then there is the risk of over-reliance. It is absolutely vital to ensure that any outsourcing or facilities management (FM) contract contains a clear exit route. This should be one that suits the customer, not the supplier. Lawyers practising in the area recommend regular review periods and caution against contracts that lock the customer in for five or 10 years.

Jane Rawlings is a solicitor specialising in computer law at City law firm Charles Russell.



John Little: Suppliers are failing to deliver on the partnership

She wrote the FM contract that retail giant Next used to employ IBM. She is adamant that outsourcing contracts only make sense if the customer enters into the deal with his eyes open.

"You must set up exit plans, describe the responsibilities of the outsourcing provider."

Employees are a potential pitfall. If the IT operation is taken back in-house, the customer can wind up gaining staff it never wanted in the first place. "If you can't use them, then you've got to make them redundant, and that involves more costs."

Rawlings notes that some outsourcing companies insist on the transfer of software licences. Getting the legal licence to use commercial software reassigned when the outsourcing contract ends can be

hibit sub-licensing."

PA Consulting has questioned a large number of businesses on their views about outsourcing. The companies responding to the IT Sourcing Survey, due to be published in October, represent £500m of outsourcing contracts. It emerges that worries about the impact on personnel who are transferred from the customer to the outsourcing client abound. Of the respondents, 43 per cent are very concerned about possible damage to staff morale. This dilemma has eclipsed the question of over-dependence on the supplier.

Maintaining the quality of the service came next, with 38 per cent of respondents citing this as a negative factor in the outsourcing equation. Then there is lack of flexibility.

John Little, an IT partner at PA who compiled the survey, notes that among the 25 per cent of companies who are determined to reject outsourcing and bring IT back in-house, one lesson was clear.

"The message coming out is that companies are willing to consider abandoning outsourcing because suppliers are failing to deliver on the partnership."

CASE STUDY

Pragmatic approach to defeat

EDS is the US company that made its name in outsourcing before the term had been invented. Across the Atlantic, healthcare had been a staple of its business. NUH called in EDS to supply a bag of healthcare programs.

Mike North joined NUH as IT manager in April 1992. His immediate task was to oversee the transfer of the IT function back to the organisation, while the FM provider relinquished responsibility.

Why did the contract enjoy such a brief life? "We employed EDS to get the business off the ground," says North. "But we always said we'd renew the contract each year."

This rigorous scrutiny may have made life insecure for the external supplier, but it allowed the company's own IT experts to sell their skills. "EDS had to compete against the in-house resources. The internal competition proved cheaper."

What really drove NUH to

abandon reliance on an outside source? Money is the key. "We could do it cheaper in-house, and it was a better long-term investment in terms of the commitment of the IT staff."

North discloses an important drawback to outsourcing: "We get a better commitment from people to the company when they're with the company."

He is not hostile to outsourcing but he believes that it is best used under particular circumstances. "If you've got a skills shortage, then this is a good opportunity to get the expense of running IT out of your hair."

As things stand, NUH now employs more than 500 staff, with an annual IT budget of £1.5m. It can lay claim to 7 per cent of the total private medical insurance market, with 520,000 customers.

North adds: "I wouldn't rule out going back to EDS, if they came up with a good business solution."

EDS had given NUH a vital kick-start. It had provided the security and knowledge to get the business working, according to North. But NUH was smart enough not to become reliant on one outside contractor. When the internal management services division won a review in December 1991, the third party had to hand over the reins of power.

North admits that the return of IT operations to the core company was not totally trouble-free. "We use a job-scheduling language, a program whose purpose is to tell the computer when to run other programs. EDS don't run this language. So all of that system had to be rewritten and tested."

Nevertheless, North praises EDS for their pragmatic approach to defeat at the hands of the customer's IT experts. "They recognised that their job was essentially a short-term one."

What really drove NUH to

Michael Wiltshire highlights advances in desktop publishing

Buzzing with prospects

Advancing technology is rapidly changing the definition of basic desktop publishing - or DTP, as it is called - since almost all media material can now be processed on today's powerful desktop computers.

While many users in the past decade have thought of DTP merely as a way of producing printed documents, the industry is buzzing with prospects of the new electronic infrastructure that goes far beyond putting ink on paper.

Today's powerful desktop computer systems can also help turn a brochure or book into a compact disc (CD-ROM), or bring its contents on-line, delivered through a computer.

Publishing on an electronic media, particularly Internet, which links 2.2m computers and 26m users in 137 countries, was a key topic at this month's Seybold publishing conference in San Francisco.

"In no way is publishing just getting 'ink on paper', although that will surely remain at the core for many years to come," comments David Beach of Apple Computer - the largest single computer vendor to the publishing industry.

There are several key DTP markets. At the lower end, there is the personal or "office

DTP" sector, which includes in-house publishing for the promotion of products or services.

Then, at the higher end, there is professional DTP, described by Apple as "Publishing for Profit." This includes graphic art services and pre-press work for advertising and publishing of newspapers, books and magazines.

In the past four years, the complex DTP market has further fragmented.

Apart from increasing applications for electronic layout tools by designers and advertising agencies, corporate publishers are producing long, "content-driven" technical documents and reports which may range from, say, 100 to 3,000 pages.

In this sector, personal computers with Windows packages are increasingly evident.

In a third development, feature-rich word processing packages are infringing on the traditional DTP market.

Increasingly, businesses, educators, governments and individual computer users need systems to author, access and work with the emerging electronic base of information.

This aggressive focus on emerging technologies for what is called "information authoring," is also leading to



Fiona O'Carroll: A lot of libraries are using this system

mergers in the DTP software industry.

Speed of use, cost-cutting, advanced software and colour management for paper documents are among the hot issues at the higher end of DTP. Another important topic is the ability to view information on-line, using electronic distribution of documents. Publishing is seldom the product of just one or two people.

While increasingly powerful PCs are coming to the market, the Apple Mac is still dominant in the pre-press process, both for graphics, advertising and design agencies.

Apple has now introduced the Power Macintosh, a new "platform" based on the PowerPC, developed jointly by

IBM, Apple and Motorola. The Power Mac is claimed to offer from two to 10 times the performance of current Mac and Windows-based computers.

This speed permits faster use of graphics packages, allowing designers more time to explore varying approaches.

For example, the intricate process of picture colour-matching can now be achieved in a fraction of the time it took in the past. Publishers can therefore cut costs while handling more complex documents, while also expanding into new media beyond ink on paper, eventually integrating sound, video, animation, text and still images.

For users of DTP systems, the information explosion via the desktop computer is also leading to increasing demands for documents and data management, allowing rapid levels of access before the final document is assembled.

"There's no need to send reams of printed information around companies now," suggests Fiona O'Carroll, European marketing manager of Frame Technology, the US document publishing group.

"Users can rapidly view well-laid-out documents on-line or via CD-ROM disc. A lot of libraries, for example, are using this system."

INTO THE FUTURE

Systems for the digital age

Two pioneering companies in the DTP world - Aldus and Adobe - announced their merger in March this year with the aim of providing systems to meet the new demands for distributing information in the digital age.

Both companies have for long set world DTP standards. Adobe, founded in 1982, developed its high-level PostScript page description which allows users to output text to printers such as the Apple LaserWriter.

Last year, Adobe launched the Acrobat family of software products to capture type, images, colour and layout and make them transmissible between computers that have nothing in common - except Adobe Acrobat.

Aldus, founded in 1984, developed Aldus PageMaker, which allows people to design, edit and produce printed communications electronically.

More than 2.5m copies of

PageMaker have been sold. For Macintosh and Windows users, PageMaker is the pioneering program for turning the computer screen into an integrated paste-up board, complete with professional design aids.

Both companies are innovators in creating what they call "the desktop broadcasting revolution" with non-linear digital video editing and digital post-production production.

Furthermore, a number of repro houses are moving towards the Power Macintosh - "by having this extra speed, it gives me another week's work in year," argues one publisher.

Speed and compatibility between desktop computers are important to users - "there is also a clear move toward cross-compatibility, enabling, for example, Macs to 'talk' to Compaq machines," says Martin Hollis, an analyst with the Ashdown research group.

Among the innovative pre-press products coming to the market is Kodak's CD portfolio software.

This is the latest addition to the company's range of software that allows desktop computer users to create their own Photo CD discs for developing

interactive sound and picture presentations.

Meanwhile, basic DTP system prices have fallen dramatically, particularly at the lower end. "At £50 to £100, almost anyone can afford a DTP software package for home or small business use," comments Peter Foster, a consultant for International Data Corporation. Training was once a bottleneck for new DTP entrants, but basic packages are now far more "intuitive" and user-friendly.

Thus, for the novice, learning the basics of DTP has never been easier. Microsoft's "Publisher" has proved to be one of the most popular programs for beginners.

New software allows non-professional users to easily drop graphics and images into business documents, creating stunning forms, flow-charts and reports.

As prices of equipment fall, especially at the lower end of DTP, users are spoiled for choice. A typical system includes a personal computer, a high resolution monitor, a "mouse" or hand-controlled digitiser for positioning text and graphics, plus software for word-processing, graphics and page composition, and a laser printer.

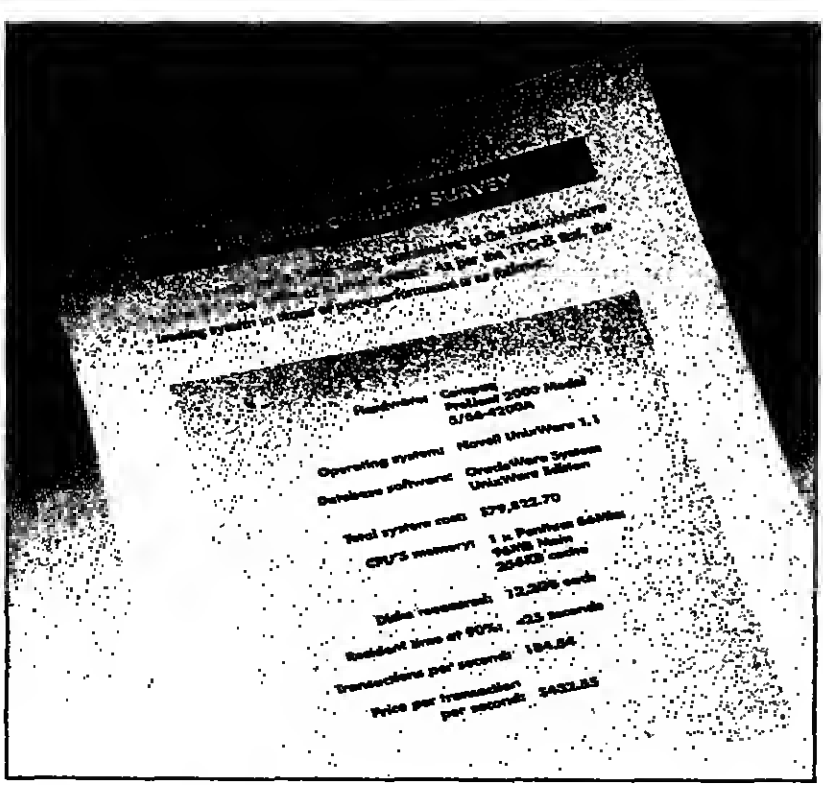
Colour is increasingly significant at all levels of DTP. QMS have recently launched the Magnum desktop laser printer, priced at about £10,000, offering colour output significantly higher than colour thermal transfer and high-end colour laser copiers or printers.

The financial sector leads the way in business applications for DTP with the production of rapid and attractive overnight reports for investors. For example, Smith Newcourt, the international stock brokers, have used DTP for years; the firm is now developing its DTP system as an integral part of an internal communications system. At the heart is the software package Adobe PageMaker 5.0 which the company runs worldwide on both PC and Macintosh platforms.

Mike Frost, publishing systems analyst at Smith Newcourt in London, says the aim is to make the system even faster to include up-to-the-minute information-sharing on a worldwide basis.

Linked to the company's electronic mail system, its reports can be published simultaneously in London, New York, Tokyo and Hong Kong.

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yes UnixWare



Philip Manchester on security

## The walls have come down

Breaches of security in computer networks are not only embarrassing – they are also costly. A survey of UK companies conducted by the National Computing Centre (NCC) this year put the average cost of a security breach at more than £9,000. The survey also revealed that four out of five companies had reported security breaches in the past two years.

The NCC survey describes a



Euhanks: "With today's networks, security is an architectural issue"

wide range of security problems and highlights how important the issue has become – especially since the spread of computer networks and powerful desktop computers.

Malicious network hackers, "virus" software, criminals and even staff with a grudge are just some of the possible security threats which are the inevitable result of opening up computer networks and distributing computer power.

"With today's networks, security is an architectural issue. As we move to distributed computing by replacing the central mainframe with networks of PCs, it makes systems more vulnerable," says Mr Gordon Euhanks, chief executive of US security software specialist Symantec.

"It is a bit like the change

from guarding a house with one entrance to guarding a house with 10 – it is not an insoluble problem but it needs companies to take action," Mr Euhanks continues.

Mr Chris Hook, a managing consultant at the NCC who specialises in security, says: "The walls around the system have come down and control has shifted to end users. They do not know how dangerous it is not to take precautions because they have not been trained."

He says staff training is one of the keys to making computer networks more secure and that there is room for improvement. In the NCC survey, companies were asked if they trained their staff to follow security procedures and most said that they did. But when asked if the procedures were actually followed, the picture was very different. "Only 27 per cent were following the procedures in practice. This shows that companies think they have trained their staff when in fact they need to explain why the procedures are needed," Mr Hook observes.

In addition to proper training, Mr Hook also recommends that companies must plan both for preventative security and for coping with breaches.

"You have to think through the implications of a security breach on the business and identify the important threats," says Mr Keith Dunning, a security consultant at Group Bull in the UK.

"There is a danger that people get carried away with technology and pour a lot of money into anti-virus programs, log-in systems and the like. But you must step back and look at the simple things – the company procedures: who has access to the system; and so on. Then you can see the risks and the costs of coping with them in a business context."

file to the disk and took it to another PC to make use of the laser printing facilities. Unknown to the user, the "blank" disk had been infected with a version of Form then replaced in the box."

The incident cost the company £50,000 in time and effort to put right and it has since introduced vetting procedures on all incoming disks.

Sabotage incidents of this type – although rare – are the most costly. It cost a large company in the information technology sector an estimated £33,000 to recover from damage done by a disgruntled student. The student managed to "hack" into the company network using a dial-up modem and an unauthorised account number. Files were deleted and derogatory messages were sent through the electronic mail system.

The student was later charged and convicted under the Computer Misuse Act, receiving a six-month suspended sentence.

Even relatively trivial incidents can mean significant costs in the long term. A government department notes that, although it cost only £500 to get rid of a virus in its network of 250 PCs, there is an overhead associated with monitoring for further incidents.

"There is a continuous background cost of perhaps £5,000 a year to provide basic facilities to enable detection of this type of event."

The British Standards Institute has published a Code of Practice for Information Security Management based on the best practice and experiences of a wide range of companies. The NCC includes an analysis of this in the 1994 survey together with recommendations as to how it can be improved. The NCC can be contacted on 061 228 6333.

## RETURN TO SENDER,



## ADDRESS UNKNOWN

"The personal computer caused people to go off and work on their own. What companies now want are products which will enable groups of workers to collaborate more effectively." So says Michael Skok, chairman and chief executive of European Software Publishing (ESP).

A growing number of these products – often referred to as groupware – are becoming available. The research consultancy Ovum divides groupware into four categories:

- Workflow products, which control the flow of work between users. These include Staffware, from the UK-based company of the same name and the Action Workflow Management System from US company Action Technologies.
- Intelligent messaging products, such as BeyondMail, dis-

Joia Shillingford takes a look at groupware

## For collaborators

tributed by UK-based ESP. BeyondMail can filter messages and distribute information according to certain rules – for example, all mail from the boss goes to the top of the queue. It also provides some workflow-like features.

- Niche groupware applications, such as group scheduling and meeting support. Videoconferencing is sometimes regarded as a form of groupware – especially if video images can be displayed in a window on the user's PC.
- Groupware suites (for example, Lotus Notes) which inte-

grate a variety of groupware functions, such as information-sharing and conferencing. Ovum believes that groupware suites will become the dominant area of the groupware market, replacing office automation systems.

Notes dominates the groupware market, with Lotus claiming sales of about 1m copies. Microsoft is planning to introduce a rival product next year called Exchange Server, which will run under its Windows NT operating system. This will give users on PC networks access to scheduling, document

management, electronic mail, electronic forms, directories, voice mail and faxes.

Lotus and Novell, which has acquired WordPerfect, also plans to introduce new messaging-based groupware products next year. Other players in this market include office automation suppliers, such as AT&T, GDS, ICL, Digital Equipment and Uniplex, who are adding collaborative features to their products.

Ovum says the total market for all types of local-area network-based groupware is already about £700m in the US



Michael Skok: European Software Publishing's chief executive

and Europe and it expects this to grow to \$2.2bn by 1998. It predicts that growth rates will be high until 1995, after which more moderate rates of 15 per cent a year can be expected.

The benefits of groupware can include reduced meeting

times, improved information sharing, and the speeding up of routine processes. But it is all too easy to waste money on it.

One problem is that users are not always willing to share information. Senior managers, in particular, like to hoard information, according to a Reuters survey on information Misers.

This means that it is very important to monitor the level of usage new systems are getting after they have been introduced. If usage is low, then something can be done about it.

Roger Whitehead, consultant and editor of the Groupware News newsletter, warns that: "Groupware is no more able to influence group behaviour than a keyboard unless it is implemented as part of a willingness to change."

### CASE STUDY

## Tool will aid team working

Accountants Ernst & Young are using Lotus Notes to support a move to a flatter organisational structure. They wanted a tool which would aid team working and provide better information on which to base decisions.

Notes software serves three functions:

- It makes it easier for teams of workers to share information even if they are not at the same site.
- It simplifies the task of extracting information from the company's central systems, or adding it.
- It is being used to build a number of new databases.

The system is partly implemented and Ernst & Young is in the process of rolling it out to 2,000 of its partner-managers. Within the UK, people in Glasgow can see the same information as people in London.

The firm is also beginning to use Notes internationally – for

example, in the US.

"There is a lot of opportunity to share information across offices," according to Mark Bushell, Lotus Notes Project Manager at Ernst & Young. For example, staff must add meeting minutes to Notes, and these can be looked at by others in their team. Action points can be included in the meeting notes but these can only be seen by the people who are meant to carry them out.

When any team members who have not attended a particular meeting next go into Notes, they will see a small meetings symbol (or icon).

This will have a number on it to show them how many new documents there are in the database that they have not read. But if they are pressed for time, they can ask just to see the action points relating to themselves. "The whole system is geared towards telling you what's new and telling you how to find it," says Bushell.

He believes the key to success is to make Notes part of users' daily routine. However, Notes can fail if a central department simply asks people to add information that is of no benefit to them.

Notes can also be used to

disguise the difficulty of other systems. Ernst & Young has a big Oracle database containing client and contact information. "It's not very easy to get data out of it, so we're providing access via Notes," says Bushell.

Users can update the database through Notes or even add additional comments directly into Notes. The new Oracle data and the comments in Notes can then be viewed together as if they were stored in one place.

Lotus Notes can cost as little as \$230 per person for volume purchases in the US, according to Bushell. But he says it usu-

ally costs a bit more in Britain. In addition, Ernst & Young is using Infopump software from US-based Trintec to link Notes to its existing databases. This costs about \$20,000 a pump and a large organisation will probably need several.

Achieving a return on this investment can take some time. Bushell says: "It can take anything from two to six months before people get used to Notes. Once they do, they come to depend on it and benefits can include fewer meetings and better management of projects that involve several sites."

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## USING COMPUTERS IN BUSINESS 4

John Kavanagh examines developments in right-sizing

## Belated switch of emphasis

Computer right-sizing used to be simple.

You looked at the central mainframe computer costing possibly millions of pounds, the end-user's display terminals with their fixed-format inquiry screens in black and white, and the army of expensive specialists taking months to write the simplest programs, and compared it with cheap, friendly, colour PCs apparently allowing business people to do anything they wanted, whenever they wanted.

No contest. Indeed, a survey by computer supplier Sequent shows that almost two-thirds of completed right-sizing projects were carried out to cut costs. The second main reason, mentioned by 30 per cent of companies, was the related issue of replacing an obsolete computer, typically a central mainframe.

But since the early 1990s this "simplistic downsizing", as Computer Technology Research Group calls it, has

been severely questioned by analyses of costs and by a perhaps surprisingly belated switch of emphasis to business issues.

Several studies by independent research groups now question whether cost savings are possible from moving to PC networks or client-server systems, which typically combine PCs and more powerful local computers. One survey by Kephon has found that mainframe systems are the cheapest, per end-user, with minicomputer systems 50 per cent more expensive and PC networks more than twice the cost.

These studies highlight the fact that mainframe costs are quite well defined: equipment, software, maintenance and central staff. But PC networks and distributed minicomputers have hidden costs of duplicated work, security, maintenance, hardware and software failures and, most of all, support not only by central specialists but

also by local office staff who spend their time running PCs instead of doing their proper jobs.

In addition, there are shortages of the skills needed to move from mainframes to PC or Unix minicomputer systems. The Sequent survey found this to be a problem among three-quarters of companies questioned - including system suppliers themselves.

"Cost reductions must not be the key incentive for moving to client-server," says Mr Per Andersson, a director of research firm IDC. "The cost structure of using information technology changes dramatically. Instead of hardware and software making up most of the costs, staffing and support constitute more than half the costs in most cases."

Cost savings are possible, but only if companies look beyond "simplistic downsizing" and match their computing to business needs. Indeed, our case study shows a

company moving back towards a central set-up as the need for certain corporate systems and databases emerged. This is not uncommon. Research firm Gartner Group says: "We believe the central function will have a resurgence as end-users realise the true costs and complexity of mission-critical computing."

So the starting point for right-sizing must be business needs, not computing costs. Computers and networks can now match company structures, and reviews of computing set-ups should be led by reviews of business organisation.

Steve Wanless, product manager at Sequent, says: "Right-sizing is all about selecting hardware which will provide the computing infrastructure and systems flexibility to match the business," he says. "This does not necessarily mean ditching all existing systems and proprietary hardware."

## CASE STUDY

## Running costs cut by two thirds

Provident Personal Credit knows all about right-sizing: this financial services company has done it twice in the past six years. In that time it has cut costs while confirming that simply moving from big computers to small ones is only part of the job.

In the late 1980s, Provident Personal Credit started running down its Unisys central mainframe computer and installing Digital Equipment Vax machines in business departments. The computing staff, too, were moved out to work alongside their end-users.

"We had the traditional

problem of a central mainframe department, semi-detached from the rest of the organisation and never really meeting business needs," says Mr David Chan, information technology director. "The costs of the operation were not reflected in business benefits."

Installing local computers gave business departments control of their own computing, helped by their own computing specialists. However, by 1992 the company saw the need for a compromise between central and departmental systems.

"We found there was a need for certain centralised systems and information, for example a corporate customer database," says Mr Chan. "So we have functionality in the departments but control and strategic systems back at the centre again."

"In addition, having central computing staff is more efficient than giving each depart-

ment its own team." The company has switched to Unix computers from Hewlett-Packard and to database and system development products from Sybase.

Running costs have been cut by two thirds and the number of system development staff has been halved. Meanwhile business departments have the systems, the information and the service they need.

Such changes have not been simple. Indeed, Chan puts much of the success down to the fact that he called in human consultants early on. "We were a mainframe shop with a traditional command hierarchy, like an old-fashioned army," he says. "We needed a new culture, where the emphasis was on delivering service, generating ideas and working together."

Work was done not only on setting up appraisal schemes and training but also on personal motivation: "opening the

possibility of individual fulfilment through work", as David Chan puts it.

Team skills were also built up to fit a new department structure. This led to greater trust between staff.

"In a traditional hierarchy you refer decisions upwards and watch your back," Mr Chan says. "But our people now trust each other and are open to suggestions. They're not constantly worrying about failure."

Three people were identified as potential opponents to the changes: they have all left the company.

"Technical training was important but we could not have succeeded without the human development work," says Chan. "We went from a low-delivery, inefficient, classic programming shop to an open, high-delivery, successful and innovative department in a year, and all with the same people."

Joia Shillingford on enterprise networking and databases

## New dimensions favoured

As PC users are increasingly linked into enterprise networks, they are starting to become more demanding. They know that information vital to their work sits in other computers on the network. And they ask, not unreasonably, why they cannot get it out in the form they want.

The answer is that a lot of this information is probably stored in relational databases. According to David Carew-Jones, international marketing manager of US-based Pilot Software: "Relational databases are really good at presenting the same type of information in the same form each month. But they aren't so good in areas like sales and marketing where what's needed is a quick response to ad hoc queries requiring complex analysis."

He and many other executive information system (EIS) suppliers believe that multidimensional databases are much bet-

ter for on-line analytical processing (OLAP) by users.

This is because relational databases are best for transactions which require access to parts of the database that are closely related. By contrast, detailed marketing analysis may require looking for connections and patterns in parts of the database which are not closely related.

In a multidimensional database designed for OLAP, data is organised into dimensions. For example, a four-dimensional entry might include a geography dimension (eg sales regions), a price dimension, a time dimension (eg when sold) and a product dimension. Users can interrogate the database quickly using any combination of dimensions.

OLAP's cause prospered when Ted Codd, the father of the relational database, wrote a paper on the subject (commissioned by US Olap company

Arbor). He agreed that multidimensional databases were better for some types of analysis and defined 12 Olap rules to which they should conform.

Nevertheless Codd says that Olap databases are "not a substitute for relational databases and should be used in conjunction with them, or with files from legacy [old] systems."

Olap databases usually take a copy of the information on the company's main database at regular intervals - every 24 hours, for example - and re-index it by dimensions.

Codd has evaluated two Olap databases which conform to most of his rules. They are Arbor's Essbase, on which Comshare's Commander Olap is based, and TMI from US-based Singer.

However, he has not evaluated all the Olap products on the market and there are many other products which claim to conform.

Other suppliers include Pilot, IRI and Kenan.

He says that when selecting an Olap database, users should:

- Decide how much concurrent working is needed between the analysis activity and the company's main operational database.
- Make sure that the analysis activity doesn't interfere with the day-to-day running of the operational database. For this reason an Olap product which can operate in a client-server environment, with operational and Olap databases on different server computers may be best.
- Try out different systems to see which provide the level of performance required both in terms of computer power and in terms of usability.

However, Codd warns that once an Olap database is in place, the pressure to make use of it can become intense.

replies to any ad hoc queries that occur to them.

The project to introduce a new system began two years ago. At present the system has three Balmer users. But, in the next six to nine months, it will be given to its national account and brand managers, and to a handful of its financial controllers and directors.

Including hardware, software and staff time, the project is expected to yield hard benefits of £450,000 a year and another £200,000-£250,000 in soft benefits.

Tim Furze, the company's commercial director, believes the hard benefits will include cost savings. "We will be able to track the effectiveness of our spend whether it be on distribution, packaging, promotion or producing our products," he says. "We can then take out cost where necessary, for example, in packaging."

The system is also expected to improve profitability. The plan is that Balmer's account managers will be able to take into account the full costs of dealing with a particular customer. They will also be able to look at the mix of brands sold to each account, noting those which are most profitable for the company.

Using the financial management software, account managers will be able to produce monthly forecasts of the profit contributions of their accounts - and brand managers will be able to predict the likely progress of their brands. Joia Shillingford is associate editor of the Financial Times newsletter Business Computing Brief

## MULTIMEDIA

## Waiting for the clincher

The "killer application" that will turn multimedia from a gimmick into a business necessity hasn't happened yet, writes Claire Gooding.

It was Visicalc spreadsheet software that turned microcomputers into business machines, and its successor Lotus 1-2-3 that sold 80 per cent of IBM PCs. But the average PC buyer, both commercial and home consumer, is still waiting for the irresistible multimedia application: the clincher that convinces them to spend the extra on CD-ROM drive and supporting technology.

Some point to long-distance videoconferencing - and the price of air tickets - as the incentive, others to the games and home market for selective film viewing known as video-on-demand. As for applications, there are an increasing number of examples outside the traditional areas of training and education. These are being promoted as "real live commercial applications" for multimedia, but they are still pioneers.

In fact, the market can not take off before three factors are

settled: reliability, ease of use, and the "critical mass" factor. Previous waves of technology have proved this pattern in everything from cars to cameras, faxes and video tape recorders. There's not much point being the first user of the telephone or fax if your peer group isn't similarly equipped.

In the US, says multimedia consultant Jeffrey Goldberg of Dataquest, things are more advanced. "For the average US home buyer, buying patterns prove that the CD-ROM is more important than having the fastest possible speed of processor," he says. "Even though the software itself is still in short supply, they want the capability there."

He notes that in the IT industry, software suppliers

are seizing on the technology as an alternative to using unwieldy bundles of discs for the distribution of products and upgrades. "There has to be a return on investment and a commercial incentive, because the technology isn't cheap."

Reliability is another delimiter, according to Anne Perlman, vice-president of the multimedia division of Tandem Computers of Cupertino, which specialises in "non-stop" fail-safe computers.

"The focus has to be on business applications for multimedia, because it will be three to five years before networks are sufficiently upgraded to serve home consumers," she says.

"Reliability is critical if a business is on line 24 hours a day across different time

zones: users have to be able to take it for granted that the service will be working when they need it, much as we do for TV or electricity supply."

Multimedia is simply a consolidation of many technologies we have come to take for granted, including computing, telecommunications, computer graphics and text, fax, video and photography. The so-called "information superhighway" allows the computer user to tap into online databases and other remote sources. This is already possible with current electronic mail and messaging systems, but much enhanced by the use of graphics and live pictures as used in videoconferencing.

This accessibility still depends on a chain of skills and commodities, and the development of multimedia is characterised by partnerships and consortia.

Large suppliers such as Sony are already providing the hardware, but smaller suppliers provide for specialist areas: Micropolis' new video-on-demand server, for example, or Videologic's Vesa Media Channel for PC/video integration.

Barclays' own heavy involvement with multimedia gave Bacon the chance to improve upon a touch-screen pre-sales "car shopping" system which had already proved successful. In 1991, Camden Motors won funding of £5m from Esprit, in a consortium including Barclays and multimedia developer Olivetti.

From the 174 applications for funding, the Camden Motors project became one of the 17 endorsed applications. It had matched the investment with £312,000 of its own, spent on setting up the IT infrastructure, including a 486-based computer and ISDN network, and extensive staff training.

"People have asked me if this is IT looking for a function. In fact there's a real need," says Bacon. "The challenge of multimedia is to address the business problems of motor retail. I'm not techie, I wouldn't be interested if it wasn't a solid commercial problem being solved."

## CASE STUDY

## Customer is in the driving seat

The second-hand car salesman as characterised in street mythology is a man not to be trusted. "The retail trade is not held in high esteem," says John Bacon, an executive director of Camden Motors.

Research has made Bacon painfully aware of how the public views the process of buying a car. He is determined to change things in his industry, with the help of a multimedia project part-funded by the European software development programme Esprit.

Bacon's research established that until the actual hand-over of a new car "the buyers are often unsure that they're getting what they want."

There are, in his opinion, too many variables for the average car-buying customer, who feels that the sales person is in charge of the process. The customer's ignorance of the many different variables - discounts, value of part-exchange, catalogue data and so on - puts them at a disadvantage.

"Add to those variables the process of trading used cars, finance and loans, and it becomes bewildering for the buyer," he says. He argues that the sales role has concentrated on dealing skills - the much-caricatured hard-sell patter - and not enough on really helping the customer through the maze of choices.

The multimedia system is designed to put the customer in the driving seat, both metaphorically and literally. It is already working in a test environment at Camden Motors' headquarters in Leighton Buzzard.

The system uses information from a variety of sources, pre-

ented in text and video. By picking a route through a maze of options on such issues as finance (probably the most daunting topic for the average buyer), users can arm themselves with very specific information. This typically includes valuation of the present car for trade-in, options for finance, and new models in which they are interested, which users can ascertain before coming face-to-face with anyone on the sales floor.

Improving the process of buying a car is a critical issue for Camden Motors, which buys and sells countless vehicles every year for large commercial clients. Established in 1932, Camden Motors ranks as the fifth-largest supplier of new cars and the third-largest seller of used cars in the UK in 1994.

Corporate clients include its parent, Barclays Bank, and Alamo Rent A Car, to whom it is supplying 65,000 cars up to the end of December 2000.

## Business process re-engineering

## No guarantee of success

Everybody is doing it... well, almost everybody. In the two years since Mr Michael Hammer popularised the notion of business process re-engineering in the Harvard Business Review, it has been embraced by many of the world's largest organisations, writes Alan Cane.

Separate studies carried out earlier this year by the Cranfield School of Management and Price Waterhouse suggest that up to 70 per cent of large companies in the UK have undertaken or are about to undertake BPR. It would be a surprisingly high figure for any management technique, even one currently as fashionable. But BPR can be risky, involves comprehensive plan-

ning and carries no guarantee of success.

On the other hand, the economic climate of the past few years has favoured measures which promote efficiency, effectiveness and cost-cutting. Most of the companies questioned by Cranfield said they were primarily interested in potential savings.

## CASE STUDY

## Building society conundrum

The National & Provincial Building Society, the UK's 12th largest, has been undergoing a radical transformation since 1990 when Mr David O'Brien, formerly managing director of Bank Xerox in the UK, joined as chief executive.

Mr O'Brien describes what he has been doing at N&P as process design rather than process re-engineering. His starting point was the building society conundrum: where should the balance be struck between a profit and meeting the needs of the customers?

The decision was taken to focus on becoming a true bank insurer: the kind of organisation a customer can approach easily for advice and guidance about his or her unique financial circumstances.

Mr O'Brien, drawing on his experience with Bank Xerox and in particular with its Japanese ally Fuji-Xerox, decided to start from scratch. The business of process design involved new ways of thinking. Some 18 processes within the bank were reduced to 10. New names reflect new approaches. There is no longer a marketing department; instead there is a customer requirement process. There is no sales department. It has been replaced by a customer engagement process.

"Our staff no longer have jobs, they have roles. They do not have job descriptions, they have responsibilities," says Mr O'Brien.

Mr O'Brien believes that that process design encompasses a whole range of activities which are often described as discrete activities. So empowerment, de-layering and total quality management are all elements in his design process rather than ends in themselves.

Note that the systems are the final part of the operation.

They are mapped onto the new structure rather than being used to automate existing processes. The society is working with Unisys, the US computer manufacturer, on hardware and software as it moves from mainframe-based systems to a modern client-server approach.

The aim is to design the entire operation around object-oriented systems, the rapidly evolving software technique where real life objects are modelled in software. Such designs can be adapted more rapidly to changes in the business environment than conventional mainframe or mini computer systems. Mr O'Brien describes the organisation as consisting of three kinds of objects: process objects, system objects and people objects.

Now four years into the programme, Mr O'Brien believes he is about two-thirds of the way through the transformation.

He measures several parameters to test how successfully the new structure is working. A key measure is the strength of the society's relationship with its customers. Put simply, the society draws up a profile of the financial services each customer could benefit from, and compares it with the services they actually use.

Mr O'Brien says there are now no obsolete, low-interest accounts where neither society nor customer benefits.

BPR, as defined by Mr Hammer, involves a fundamental reassessment of the way a company does its business, identifying and simplifying the basic processes to achieve maximum operational efficiencies. BPR cuts across traditional functions: layers of management are frequently found to be redundant during the analysis.

This reassessment is driven by the needs of the business, not information technology. But once the basic processes have been defined, IT can be used to find greater efficiencies through automation.

It is not an entirely new concept. Mr Geoff Elliott and Mr Robin Holland, senior consultants at Computer Management Group, note: "BPR is clearly an attention-grabbing headline but we believe, at the fundamental level, that there is no difference between BPR, total quality management, change management and organisational development. The real difference is the extent and speed of the change that firms are being forced to

address by the markets". Elliott and Holland's conclusion has the benefit of rendering redundant semantic arguments about BPR. The technique itself has a reputation for a high failure rate, prompting one executive to sniff: "For my taste, BPR is too dramatic a technique".

This attitude is attacked by Mr Hammer and his colleague Steven Stanton in a recent paper: "Re-engineering failure is not caused by bad luck, cosmic rays or other factors beyond a company's control. On the contrary, success or failure at re-engineering is determined by a company's understanding of re-engineering, its ability at executing it, and the commitment of its executives to do it."

Hammer and Stanton suggest there are two reasons companies fail at re-engineering. First, because they do not know what they are doing and therefore commit classic errors such as wasting time on the analysis of existing processes. ("Virtually, everything learned in such an exercise is destined for the rubbish heap," they warn.)

Second, there is inadequate commitment and leadership from the top. "No one need fail at re-engineering" they write. "Indeed, we are hard pressed to cite a re-engineering failure among organisations who have gone about it in a sound fashion."

## RETURN TO SENDER?

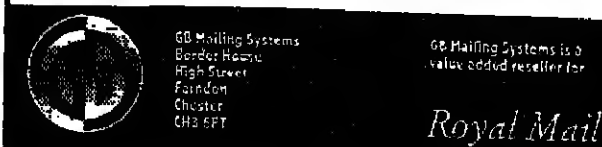
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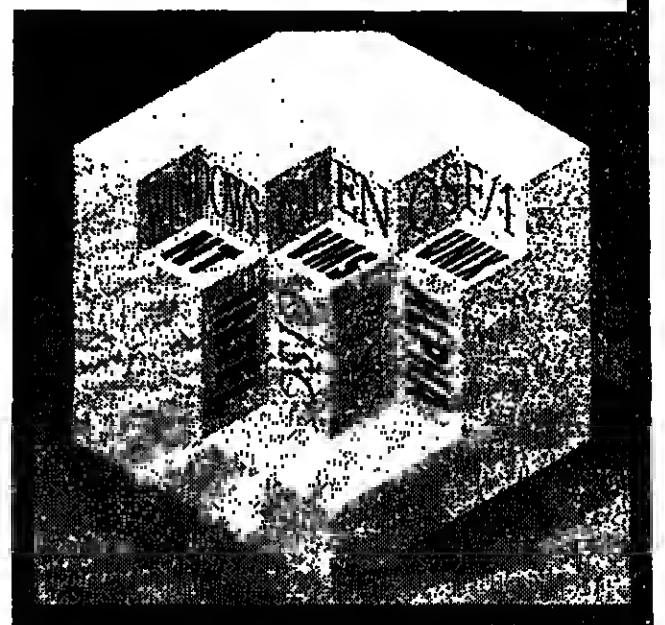
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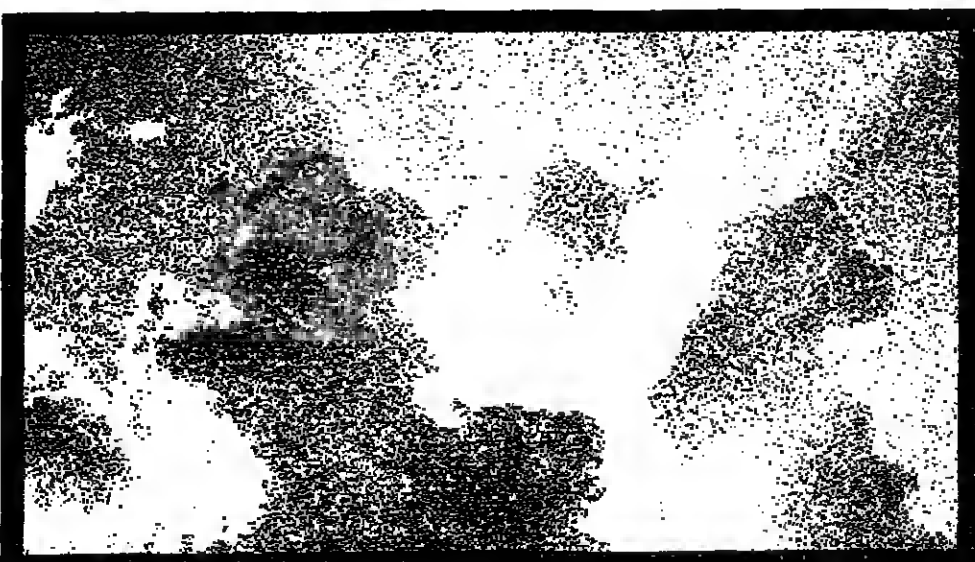
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## USING COMPUTERS IN BUSINESS 6

George Black reviews developments in interoperability

## Invented to meet a need

Interoperability is among the ugliest words coined by the computer industry, but like many of its kind it was invented to meet a need.

It means something more than either compatibility or portability. Systems can be compatible with each other without working together smoothly. Software can be ported from one machine to another without allowing applications to communicate effectively.

UNIX systems, for instance, have gained popularity partly because they are more portable than the older proprietary systems, but this does not produce instant interoperability.

X/Open, the international promoter of open systems, is about to produce a single specification for UNIX (known as Spec 1170) replacing existing incompatible versions. This will improve portability, but will leave the interoperability issue not solved.

The current X/Open brand, displayed by products which incorporate its XPG4 specifications, is a certificate of portability, not of interoperability. X/Open plans to launch an interoperability brand during 1995, working more closely than before with the Open Software Foundation consortium, previously a competitor. The



Mike Lambert, chief technical officer of X/Open

brand is likely to draw heavily on OSF's DCE (Distributed Computing Environment) software.

For the past few years interoperability has been one of the main goals of users, vendors and standards bodies alike. At its technical briefing this summer X/Open stated that it would continue to be one of its main goals for at least the next three years.

Some industry observers have the impression that interoperability is a continually receding goal, but X/Open insists that it is now in sight and attainable.

Progress is slow because it depends on getting consensus among both vendors and users. It can take 18 months from

agreeing a requirement to publishing a specification and a lot longer for vendors to market compliant products. The complexity of testing new products creates a bottleneck and there is a serious shortage of money to do all the work.

Mr Mike Lambert, chief technical officer of X/Open, defines interoperability in non-technical terms as "the ability of two different applications to do something useful together."

He says the main problem is not a technical one but concerns the way in which computer systems are delivered, integrated and supported.

"Banks and government departments have the systems integration skills in-house to cope with this, but many

smaller users do not," he says.

Interoperability depends on products complying with *de jure* and *de facto* standards. That, however, begs a number of questions, most importantly what constitutes a standard.

A couple of years ago X/Open intended the Open Systems Interconnection (OSI) model of the International Standards Organisation (ISO) to be the basis of its brand.

It encouraged migration from unofficial protocols such as TCP/IP (Transmission Control protocol/Internet Protocol) to official OSI standards.

But Mr Lambert acknowledges that the whole industry's emphasis has moved away from *de jure* to *de facto* standards, such as TCP/IP.

Earlier this year, the Brussels-based Standards Promotion and Applications Group (SPAG) was forced to abandon its OSI interoperability testing programme because demand for OSI products was not enough to finance the venture. Its work may be taken over by X/Open.

Mr Lambert concedes that at the lower levels of communication OSI has failed in the market, but argues that at the higher levels affecting interoperability it has been successful. He cites the X.400 messaging standard as an example.

standard and Microsoft's DOS operating system. It spurred OSI standards where they existed but was willing to adopt *de facto* ones where they did not, or make up its own where neither existed.

"OSI standards are necessary but not sufficient," concludes Mr Jim Noble, the division's information technology director. "We adopted the official standards for ISDN (Integrated Service Digital Network), X.400 and X.21 but we still found that A did not talk to B because the suppliers had interpreted the standards differently. So we had to knock heads together."

In some cases this proved possible - Trafalgar House succeeded in persuading BT and its Dutch counterpart to interpret standards in the

same way - but now it is struggling to do the same in countries where achieving compatibility is much harder, such as Vietnam, Puerto Rico and Kazakhstan.

Mr Noble says his company, like others, is getting to interoperability by pragmatic steps. "OSI was seen as the holy grail but it no longer is. TCP/IP will do for us for the foreseeable future. We're prepared to set aside principles in order to get effective solutions. We will look at X/Open specifications for guidance, but we are not concerned to buy products that have the X/Open brand."

The X/Open interoperability brand will therefore be an important milestone, but is not expected by users to resolve all their problems at once. Interoperability is likely to preoccupy the industry for at least another decade.

## CLIENT-SERVERS

## Progress has been remarkably slow

Client-server has been a buzzword in the computer industry for several years, yet progress towards introducing such systems has been remarkably slow, writes George Black. Meanwhile, a backlash against the client-server theory has already taken hold.

There are as many plausible definitions of the term as there are suppliers claiming to be experts. Consultancy Butler Bloor's definition seems as good as any: "The splitting of applications between two or more computers, one of which, the server, serves the others with information interactively."

Many people use the term "client-server" interchangeably with the older "distributed systems", even though the latter would seem to be broader in scope. "Co-operative processing", which enjoyed a vogue for a while, is also very close in meaning. "Client-server" can be interpreted in many different ways in practice: technologists use "fat client, thin server" or "thin client, fat server" to describe different ways of dividing the code between machines.

The client-server structure was intended to deliver a much more economical use of computing power than the old mainframes and large minicomputers linked to dumb terminals. These machines were

very expensive and often severely overloaded, while personal computers were cheap and not used for much of the time. Mainframes could either be converted to database servers or replaced by smaller machines acting as servers, with PCs taking over much of the application's processing

which tracks activities at UK user sites, although many users are now experimenting in this area few are entrusting their mission-critical applications to client-server systems. "Right now, vendors would have you believe the trend is further advanced than it is," comments Mr Luke Spikes, managing director. "These are small and important developments, but not mainstream ones. If one of these goes wrong, it will not be a major business issue."

Many systems managers are still studying the issue and waiting for the evaluation of pilot projects. They are generally concerned to determine what type of network structure offers the greatest cost-saving without jeopardising technical efficiency. Meanwhile, stories of failed client-server projects and reports that the cost-savings may prove illusory have been deterring users from major investments. In some cases, users have

found that much more mid-range hardware was required than they had anticipated; in other cases they could not get the performance required for lack of adequate software tools. Many managers feel it is still too risky to embark on a mission-critical client-server system.

Mr Mike Evans, UK managing director of client-server tools developer Gupta, says that many of the failures have been due to lack of experience in building large systems, weakness of project management or confusion over user requirements.

However, he argues that the case for choosing a client-server approach has strengthened in the past couple of years because of the introduction of much more powerful server hardware at lower prices. For some, it is the superior user-friendliness of client-server systems which has persuaded them that the risk is worth taking.

far more powerful and flexible, she says. She believes there is no other client-server system available for the same application.

Several other local authorities have expressed an interest in buying the software from Hampshire.

Dr Oakley says the viability of client-server solutions depends very much on the type of application involved.

"Many social workers have a fear of computers, but within an hour or two of using this system they are saying that they really like it," she says.

"They will now spend much less of their time on bureaucracy and more on the caring part of their work."

She says that client-server is "not a cheap, but a cost-effective solution." At worst, the new system will prove no more expensive than the centralised alternative and it is

Applications software was written by the Basans consultancy. The system started to go live in April and by next spring will be supporting 460 users.

Dr Angela Oakley, the council's senior consultant who was responsible for setting it up, says the early indications are that it is helping to improve the efficiency of the service.

The council's servers are IBM and Amdahl mainframes at the Winchester and Andover head offices, with IBM and Dell personal computers acting as local database servers at 19 area offices.

The client machines are local area networks of PCs, which may be installed at some 200 other sites around the county.

The mainframes run a single centralised Oracle database, from which data is downloaded to the area servers running Gupta's SQLBase database. The Oracle database is updated each night in batch mode.

Applications software was written by the Basans consultancy. The system started to go live in April and by next spring will be supporting 460 users.

Its mainframes were mainly used by administrators but not

## CASE STUDY

## User-friendly system for care workers

One organisation which has been installing a mission-critical client-server system for its superior user-friendliness is Hampshire County Council's Social Services Department.

It faced a statutory obligation to mount a new programme of care for people in need and the council was required to identify all those who should be covered by the scheme, assess their individual needs, prioritise those needs and devise plans for services.

It decided to design a client-server system to ensure that all those involved in providing care would be users of the system.

Its mainframes were mainly used by administrators but not

## CASE STUDY

## Obstacles along the ISO route

Even large users run into difficulties in trying to follow what they are told are international standards. An example is Trafalgar House Engineering Division, which includes John Brown Engineering.

It has won a clutch of awards for technological excellence and has been committed to an open systems strategy for several years, yet it was perplexed by a string of obstacles along the route prescribed by the ISO.

It set up an international network connecting all the

company's 37 offices in 12 countries, as well as a number of its suppliers and contractors. The network supports a global database, which can be accessed by its engineers and designers wherever they may be.

It disposed of 12 Unisys mainframes and substituted some 200 UNIX workstations. To procure these machines it issued to UNIX vendors a list of criteria for openness. From the replies it discovered that it could not be sure of interoperability even though all the vendors claimed to offer open systems. In the end it standardised on machines from Hewlett Packard and Sun Microsystems.

To make such a complex network possible it stuck to what it considered to be industry standards, among them TCP/IP, X.400, the SQL database

standard and Microsoft's DOS operating system.

It pursued OSI standards where they existed but was willing to adopt *de facto* ones where they did not, or make up its own where neither existed.

"OSI standards are necessary but not sufficient," concludes Mr Jim Noble, the division's information technology director.

"We adopted the official standards for ISDN (Integrated Service Digital Network), X.400 and X.21 but we still found that A did not talk to B because the suppliers had interpreted the standards differently. So we had to knock heads together."

In some cases this proved possible - Trafalgar House succeeded in persuading BT and its Dutch counterpart to interpret standards in the

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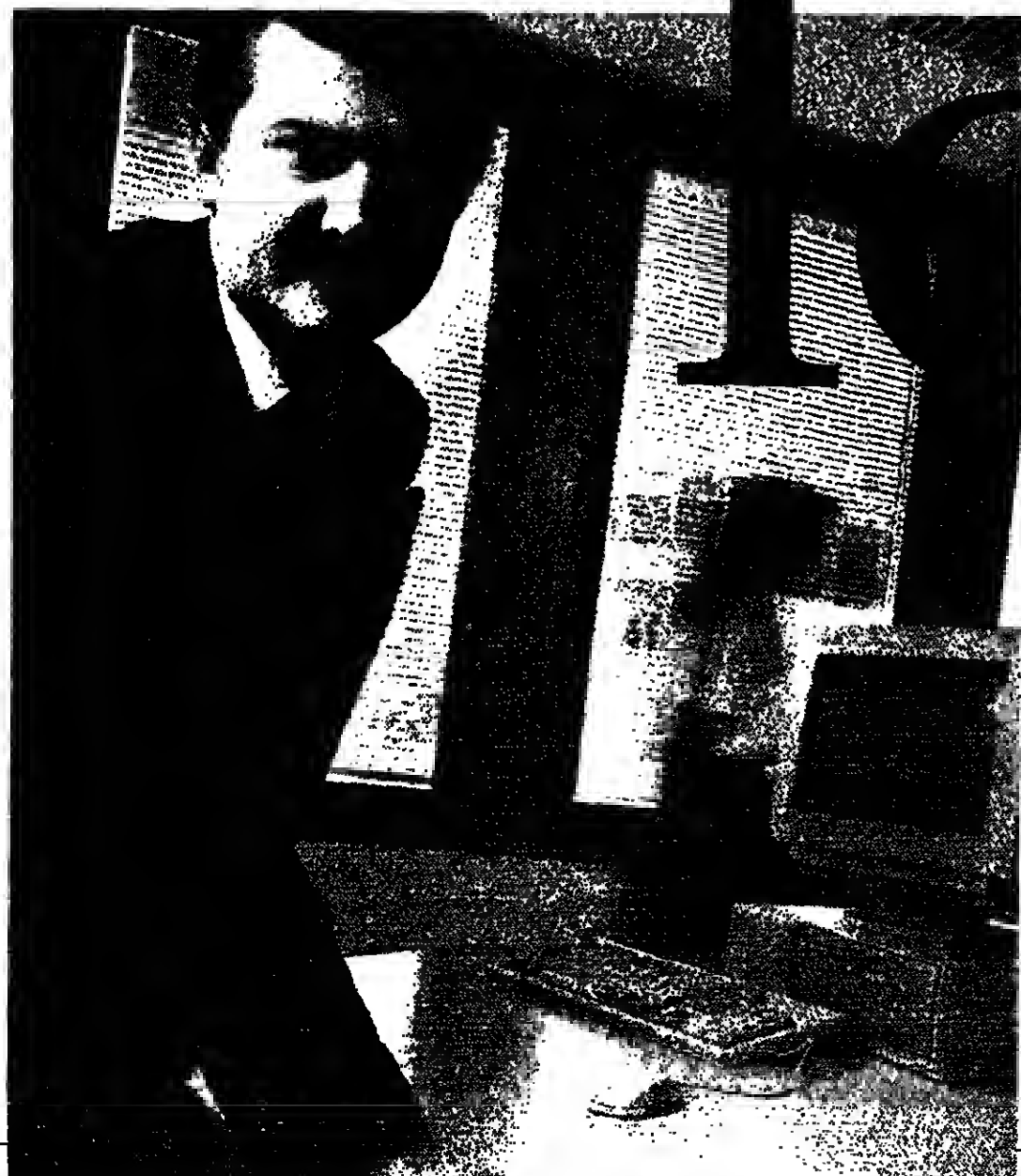
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growth



## USING COMPUTERS IN BUSINESS 7

## ELECTRONIC DATA INTERCHANGE

## Benefits fuel growth

The integration of the office personal computer with telecommunication systems over the past decade has begun to make paper-free electronic trading, or "electronic commerce," a real possibility, writes Paul Taylor.

Electronic data interchange (EDI) and electronic mail, both value-added network services (Vans), provide the basis for electronic commerce. EDI enables two organisations, usually customer and supplier, to exchange business documents such as orders and invoices using standard electronic forms and their own computers linked via a telecommunication service provider.

The service provider acts like a central post office, routing the documents and messages to their destination and handling any "data translation" needed between different computers or message standards.

"EDI improves the speed and accuracy of the business process," says Mr John Thorpe, managing director of International Network Services (INS) which claims about 65 per cent of the UK market for EDI. Typically he says a company introduces EDI because it saves money on stock and administration.

These benefits have fuelled growth in the use of EDI in the US, where it originated, and more recently Europe. Ovum, the technology consultancy, estimated last year that the EDI market in Europe, including customer software and support, will triple in size from just under £600m in 1993 to about £1.6bn in 1997.

The UK, France and the Netherlands are the most mature EDI markets in Europe although other nations including Austria, Italy and Spain are beginning to catch up. Germany lags behind in EDI implementation, arguably because of its highly restrictive telecommunications regime.

Among the service providers in Europe the market leaders are IBM and General Electric Information Services (Gels) which both have pan-European networks. Gels, which recently acquired the 50 per cent of INS which it did not already own,

has about 35 per cent of the fragmented European market.

In the UK, standards are not a big issue, but outside Britain most domestic EDI traffic has been based on industry-specific or proprietary application protocols. According to one estimate, there are 26 different versions of standards in the world, including 15 in Japanese. However, most new user communities are basing their services on an international standard called Edifact - and many existing communities using proprietary application protocols are moving towards Edifact.

By 1997, Ovum predicts that 90 per cent of EDI traffic in Europe will be based on the Edifact standard, compared with less than 50 per cent last year.

In the UK where there are an estimated 10,000 EDI users, the market is dominated by INS which was jointly owned by Gels and ICL until recently when Gels bought out its partner - a move which industry analysts suggest signals the start of consolidation and internationalisation of the EDI market. "We are experiencing very rapid growth in terms of documents," says Mr Thorpe.

INS provides three main EDI "communities," INS-Tradernet, the main service for retailers and their suppliers, BrokerNet for the insurance sector and FleetNet for the fleet leasing-management sector. The biggest, INS-Tradernet, handles more than 6m documents a month for customers which include most of the large high street retailers and their suppliers.

Mr Thorpe says that companies which have implemented an electronic trading strategy are moving forward in two distinct ways. First, they are adding additional document types, second they are reaching further and further down the supply-chain chain.

Nevertheless, there is still plenty of room for growth since research suggests that even among those companies which have signed up for EDI only a small percentage are trading with more than 100 companies and many are trading with fewer than 10.

## CASE STUDY

## A pioneer in the DIY community

In the highly competitive market for do-it-yourself in the UK, retailers are continually looking to improve customer services while maintaining tight margins and reducing operational costs. Wickes, the timber, building materials and home improvement products group, turned to International Network Services in 1986 for a system which would enhance its business processes and practices. Since then Wickes has become a pioneer of EDI in the DIY community.

"EDI was a natural progression for Wickes, complementing sophisticated sales and order processing applications already in use across the company," says Mr Andrew Hennell, financial accounts controller.

"Using INS-Tradernet, trading electronically has now become an essential element of the company's IT processes."

He says the benefits of electronic trading were immediate. "Not only is it far quicker than traditional paper-based ordering methods, it is also more accurate. Reduced order lead times mean we can ensure that shelves are neither empty of popular brands nor overstocked with lines that sell slowly."

Working alongside INS, Wickes initially approached several of its larger volume suppliers to pilot the receipt of electronic orders. This was followed by a progressive roll-out across the supplier base.

Wickes presently sends more than 10,000 electronic orders a month via the INS EDI service to more than three-quarters of its suppliers. Order information from the retail outlets is collected daily and consolidated centrally on a PC system at Wickes' computer centre. Using INS PC-based software, Intercept-Plus, orders are transmitted overnight to suppliers via INS-Tradernet, ready for collection and processing the next morning.

Using EDI, suppliers can process orders much more quickly and efficiently, especially if the order data is passed directly into the supplier's sales order processing system.

By fully integrating EDI with in-house systems, the

paper flow is dramatically reduced and the need to re-key information is eliminated.

Keen to extend its electronic trading, Wickes has also developed an in-house invoice matching system. Invoice data is received and processed on an IBM AS-400 system using INS' Intercept-400 software. It is then passed into Wickes' in-house invoice processing application where it is matched for errors and finally checked against the original order.

Wickes receives about 60 per cent of its invoices electronically. Mr Hennell believes electronic trading speeds up the invoice cycle by as much as seven days compared to traditional methods. Early receipt of invoices means problems and mismatches can be addressed, saving time and resources and enabling prompt payment for suppliers.

Recognising that not all suppliers have the resources to integrate EDI with their in-house systems Wickes commissioned INS to produce a PC-based application system which enables users to generate invoices simply and accurately from order data received.

"The hardest part, always, is convincing suppliers that electronic commerce is a worthwhile investment," says Mr Hennell. "On the whole, our suppliers have been very cooperative... however there are still a handful of our smaller suppliers who remain concerned by the initial commitment."

In order to make EDI more accessible to the smaller volume and expense account suppliers - those who provide services as opposed to resalable stock - INS provided Wickes with a unique trading community called WickesNet last year which is based on INS-Tradernet but offers suppliers a low-cost, tailored EDI solution for invoicing and electronic mail.

Wickes has recently linked its internal financial network to the INS-Mail service, enabling store and head office employees to exchange textual information, such as order-invoice queries and general memos on a person-to-person level with customers and suppliers.

"E-Mail brings numerous benefits over traditional communications methods such as facsimile, post and telephone," says Mr Hennell. "It is instantaneous, cost-effective and since it eliminates the need for paper, is environmentally friendlier, too."

## Michael Dempsey reports on health and safety issues

## Raft of EC regulations

The closest most people come to practical ergonomics is a disembodied voice telling airline passengers to adjust their seat back to the upright position. But adapting office equipment to suit employees' health is fast becoming an urgent issue.

The proliferation of computer workstations, demanding visual contact with a flickering screen and myriad keystrokes, has provoked a raft of EC health and safety regulations. Roger Wesson is a partner in City of London law firm Allison & Humphreys. Wesson, specialising in employment law, foresees serious problems arising from the complacency of UK companies about ergonomics.

"Health and safety is no longer an issue you can leave to the office administrator. It requires consideration at the board level. The EC dis-

play screen equipment regulations are just as important as the hard hat rules on a building site. The consequences of non-compliance can be very serious."

The EC regulations recommend that employers fill out a detailed questionnaire addressing such areas as screen glare, keyboard height, adjustable seating and availability of footrests. The form even extends to the suitability of software in attempting to assess screen displays.

While EC recommendations may seem remote, they are tied to very

real problems. Wesson reels off the successful actions against employers involving computer-related ailments. Work-related upper limb disorders, more commonly known as Repetitive Strain Injury (RSI), harm both sufferer and employer. The Inland Revenue has paid £79,000 in an out-of-court settlement to a female employee. It accepted that she was under pressure to input data at an hourly rate with insufficient breaks while her desk and chair were incorrectly positioned. The resulting injury to her arms forced her to retire.

EC Directive 90/270 sets out minimum safety requirements for display screen work. For example, screens should be flicker-free and easily adjustable. These standards must apply to equipment installed after January 1993. For workstations in use before that date employers have until December 1996 to implement changes. Sanctions against non-compliance include fines of up to £20,000 or imprisonment.

Successful prosecution can mean an individual disqualified from being a director. One such case in the UK has

already seen a director disqualified for two years and fined £5,000. There are 6.5m workstations in the UK. Surely bringing them all up to scratch will be an enormous undertaking?

The Health and Safety Executive claims that meeting these standards will cost about £42 per workstation. This price should be offset against a reduction in sick leave provoked by poor ergonomics.

Mike Lloyd, managing director of Sit Smart, a Guildford-based ergonomics consultancy, points out that back pain, occasioned by poor seating, is eating away at productivity. The number of man days lost through back pain leapt from 62m in 1992 to 83m in 1993. "The microcomputer is causing massive back problems," says Lloyd. "If I can stop a guy being off sick for two weeks, that will cover the price of new seating."

## CASE STUDY

## Maintaining a Victorian tradition



Derek Oliver watching ergonomic and environmental factors

The village of Saltire in Yorkshire was created by Titus Salt - a Victorian philanthropic entrepreneur who believed that profit could be attained without sacrificing good working conditions.

Derek Oliver, design manager at Pace Micro Communications, likes to think his company maintains the pursuit of success in the tradition of Salt. Pace is a £130m turnover

company designing and manufacturing satellite TV signal decoders and computer communications modems. Its headquarters are in a textile mill built for Salt's empire in 1852. Pace's 150-strong design team are located here, and a lot of thought has gone into their immediate surroundings.

Most of these staff are engaged in Computer Aided Design (Cad), and spend hours working at a terminal. Oliver hopes to get the most out of this time by eliminating any cause for stress.

"Wherever possible we have installed anti-glare screens. The cheaper variety only stop reflection, but we've gone for a high specification that shield the user from radiation."

Wrist supports may sound flippant, but Oliver is a convert. "The angle of the wrist when working on a standard keyboard can be quite steep. That tends to put the wrist in quite a stressful position. Wrist supports mean it's just a step up, a gradual run from the desk surface to the keyboard. They are very very simple, but they have a significant effect."

All fixed seating has been replaced by adjustable chairs. But according to Oliver it is an original Victorian feature that does the most to promote a productive working environment.

"The biggest plus point is the room we work in. It's large, open plan and has lots

of natural daylight. Everybody feels the benefit." Pace has turned its back on contemporary office design. "We could put a lot of screening in place and lower the ceiling. But we've kept the original dimensions."

On a superficial basis, this is not an economical policy. "From a heating point of view it's not the most efficient way to do things. A purpose-built office would be cheaper to run. But our workforce are happy with it, and that cuts away at indirect stress."

The benefits are difficult to quantify, but Pace has seen a difference. "We don't have a great deal of absenteeism on grounds of illness. People do take less time off."

Oliver is convinced that watching ergonomic and environmental factors has kept his company ahead. "It takes very little cost and effort to improve the working environment tenfold. For a very small investment you can reap a lot in terms of attitude to work. That in turn goes into getting a better product, because everyone is pulling the same way."

One measure of Pace's success is the fact that it manufactures electronic goods in the UK for export to the Far East. Exports to Asia contributed to 1.2m satellite decoding systems sold last year. So a well-planned workplace can contribute to survival in the most competitive of markets.

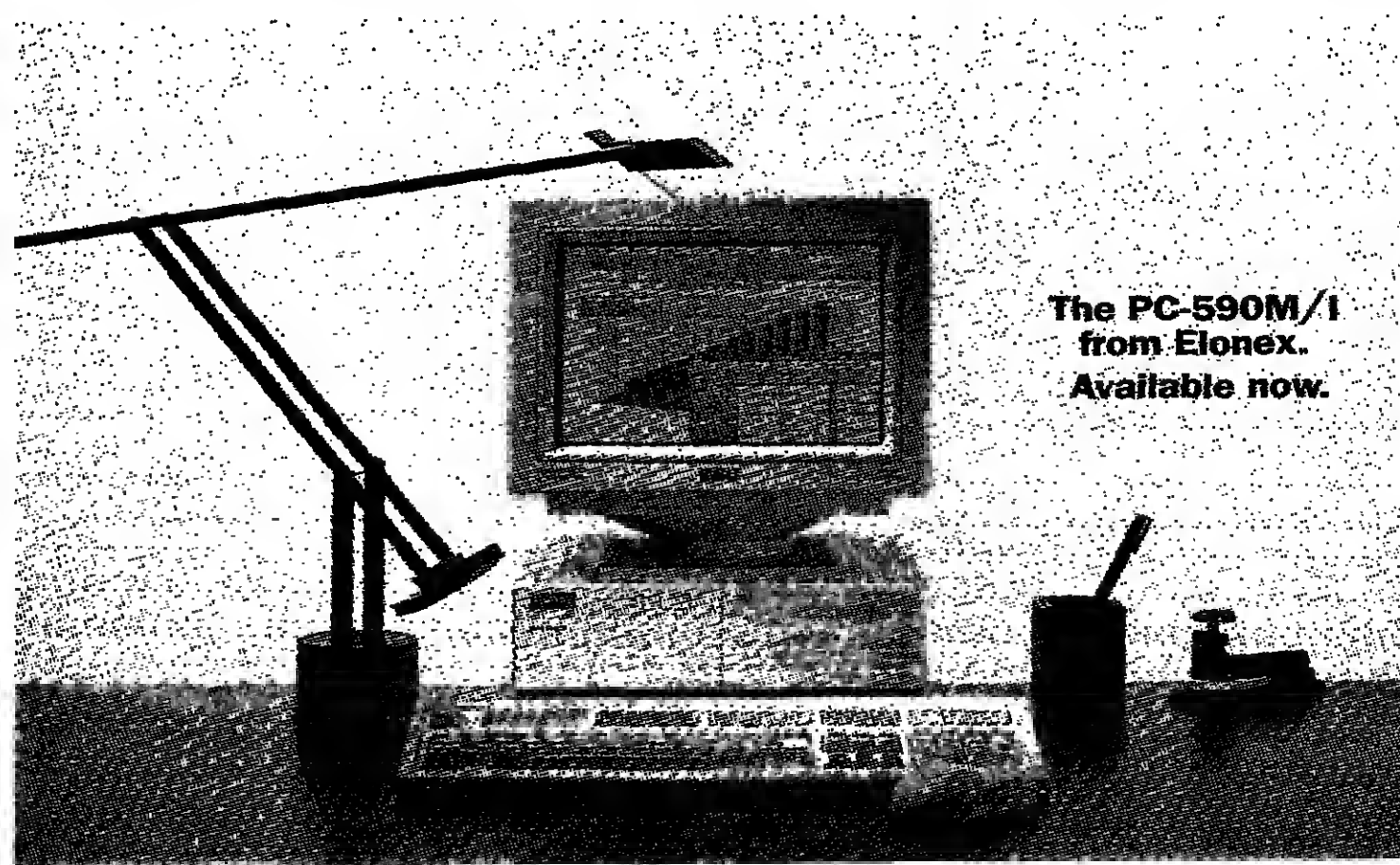
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## USING COMPUTERS IN BUSINESS 8

Good project management still relies on tried and tested principles

## Surprises are inevitable

Building software applications is a little like carpentry, writes Philip Manchester. Although the principles of shaping wood are universal, every piece of wood is unique and the craft is in learning how to cope with the unexpected.

Software development follows the same process and no matter how concise the development method is, there are bound to be surprises. Modern project management techniques aim to keep surprises to the minimum and be ready with contingency plans if something goes wrong.

Over the past 30 years, soft-

ware developers have found a variety of ways to manage the construction of software. From the rigorous "methodologies" and computer-aided design tools to management and project reporting systems, there is no shortage of tools for the job. But despite the availability of the tools, good project management still relies on tried and tested principles:

"There are plenty of tools around but it is hard to stop people being a slave to them. We use the tools to gather information and see what works and what doesn't. But there is no substitute for experience and skills," says Mr John Miller, technical director of Logica UK.

"The key to successful project engineering is to improve

the literacy of our staff and instil discipline."

Logica's approach to managing large-scale projects aims to take the best management practice and combine it with good automated tools:

"We focus on what we call micro methods. We have a framework which covers the life-cycle of the project and make use of tools where neces-

sary," Mr Miller explains.

However, he is, like many others, sceptical about an overly formal approach to managing software development projects:

"At the end of the 1980s there was a lot of talk about methodologies solving development problems. I think of them as the 'lose fat while sleeping' approach and I don't believe

that it works. Some parts of the methodology can be useful - but I think it naive to see a simple way to solve the problem," Mr Miller says.

He goes on to say that Structured Systems Analysis and Design Method (SSADM), one of the more successful methodologies, at least brought the users of the system into the design approach.

"SSADM showed how important it was to get users involved and it has turned out to be a useful way to describe systems."

Other software developers are also finding user input during the project design phase to

be a significant step forward. Mr Keith Turner, a divisional director software developer for Hoskyns Group, sees this as an inevitable result of a change in the way software is built:

"Software development is more iterative now. Users have to be involved because you need some form of open relationship with the customer. The more you can work as a team, the more likely you are to be successful," says Mr Turner.

"Tools and methods can help but they cannot compensate for incompetence. You must get the people right and the balance of team skills."



Software developer Keith Turner: "Users have to be involved"

## CASE STUDY

## Large-scale development project

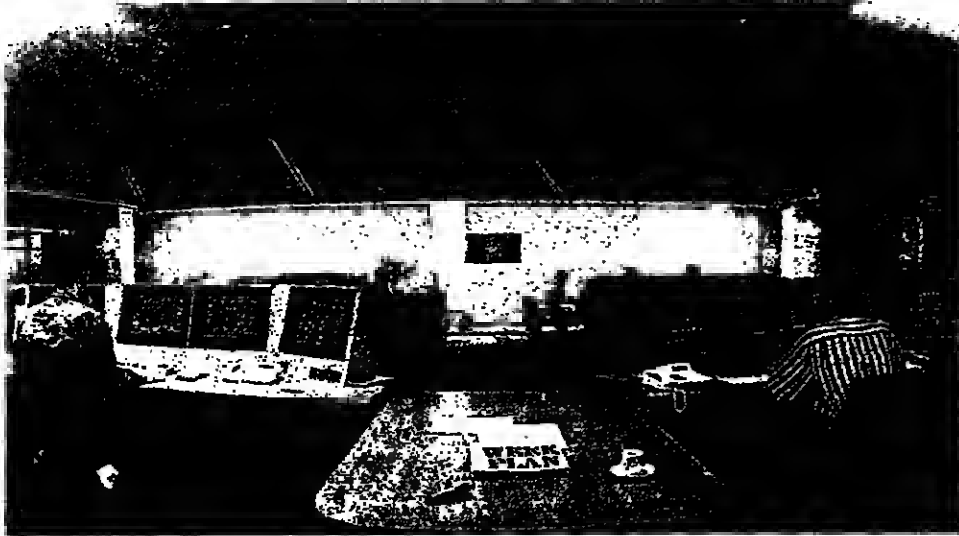
Large-scale software development projects need especially rigorous project management. When N. V. Nederlandse Gasunie, the Dutch gas distribution utility, decided to update its operational control systems in the mid-1980s, it recognised that it would need expert help.

"The project was about 170 man years and had over 100 people working together to build the new system," says Mr Theo Bakker, a principal consultant at Gasunie.

"Although it is not the most complex system it was a very big project and needed tight management."

Gasunie buys and distributes gas throughout the Netherlands and exports it to other European countries such as Germany and Italy. It uses automated equipment to monitor and control operations on the national distribution network.

The monitoring equipment records the temperature, pres-



The movement of gas in the pipelines is controlled and monitored from Gasunie's central command post

sure and flow of gas through the pipelines and passes it to a computer network, controlled from a central computer in Groningen. The data is passed to a Supervisory Control and Data Acquisition (SCADA) system which keeps track of the gas network and issues commands to alter its state.

The new system had to replace both of these systems and bring them together with two others: a system to monitor and administrate export

contracts and one to simulate the gas network for modelling purposes.

Gasunie turned to software company Logica to help construct the new system and to use its experience of managing large-scale projects.

"Logica has a good record in project management and this was one of the main reasons for taking them on. We split the responsibility for the project with Logica taking about 70 per cent of the load," says

Mr Bakker.

He praises Logica's skills highly:

"They have a very structured approach with good quality assurance procedures and controls. They have very good reporting mechanisms and always kept us up to date and showed they know how to manage complex projects with a technically high standard. But most of all they have good discipline. I have worked with many software companies that

have the methods and the tools but they don't have the discipline."

The new system took over three years to build and was finally commissioned in December 1992 to the satisfaction of the user. Mr Bakker says the system is easy to maintain and very flexible:

"We decided to take on the maintenance ourselves. We had four people on the development project team specifically to build up knowledge of the system and do maintenance. Logica did it for the first year and now we do it all ourselves."

Despite the undoubted success of the Gasunie project, it was not perfect, however. Mr Bakker notes: "Logica failed to deliver it in the specified time - there was a delay of seven or eight months."

Mr Martin Ashton, the project leader from Logica, points out that the delay was at the beginning of the project and that it was known about well in advance:

"It is such a big system and, although we knew the design integration would require a lot of work, we underestimated how long it would take. We managed to compensate by delivering some parts of the system earlier than scheduled," he says.

Paul Taylor on portable computers

## Fast-growing sector

Sales of portable computers have been one of the fastest growing segments of the personal computer market over the past few years. The "notebook" computer, in particular, has become an important business tool and the de facto standard for portable computing in the 1990s.

Advances in technology have enabled PC manufacturers to pack most if not all of the functionality of a desktop PC into an A4-sized notebook package priced at £1,500 or less. Today's notebook PCs weigh about 6lb, are mostly powered by fast Intel 486 processors and have large hard disks, colour screens and credit-card sized PCMCIA expansion slots.

The main advances in recent years have included "dual-scan" colour displays making colour notebook PCs more affordable and easier to use with programmes such as Microsoft's Windows.

In addition, battery life has been extended through the use of low-power chips, power-saving features and improved battery technology. For example, Dell Computer's new Latitude range includes an innovative dual Nickel Metal Hydride (NiMH) battery option which effectively doubles battery life to a maximum 13 hours.

However, as Jeffrey Goldberg, a Dataquest consultant, points out, relatively few portable PC users actually use their machines while on the move and can therefore usually plug their portables into a wall power outlet making battery life less of an issue.

There is little doubt that business usage of portable computers is increasing. When Dataquest asked corporate computer purchasing managers across Europe whether any of their employees used portable PCs, 70 per cent replied "yes" with the UK and Germany showing the highest uptake. The three largest groups of users were top executives and finance staff; sales and marketing; and engineering and maintenance.

When respondents were asked whether employees were able to use their portable PCs or data terminals for communicating with the office while travelling, 32.5 per cent claimed at least some of their employees made use of such a facility.

Most of these employees made their connection over the public switched telephone network although a quarter said

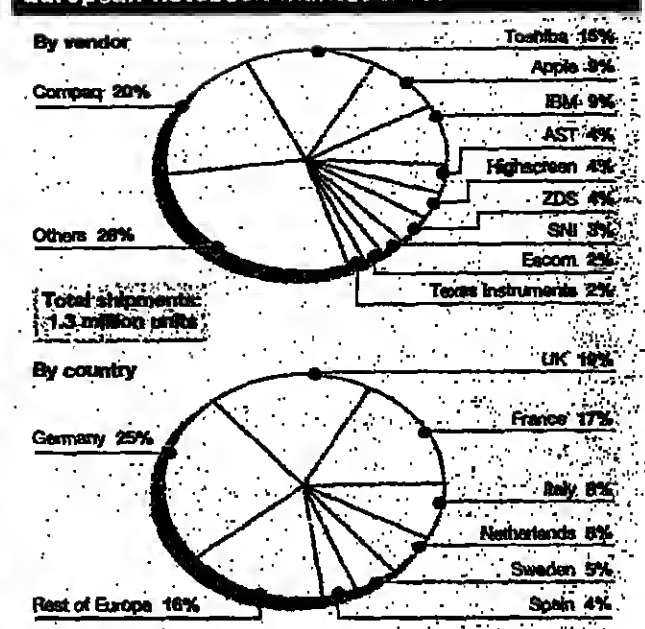
they used cellular telephone connections, 18.5 per cent used private or public mobile radio and a similar proportion said they used mobile packet data services.

In the study, the most important uses listed for mobile data communications were sending and receiving electronic mail, sending and receiving facsimiles, transferring files, accessing purchase and inventory data-bases and accessing customer and invoicing databases.

According to Dataquest, portable computer sales in Europe

1991, the top four vendors represented 52.4 per cent of total sales, but by 1993 this had risen to just under 60 per cent. Shipments of sub-notebook portable PCs - typically weighing less than 4lb - are also growing quickly according to Dataquest, although with continued miniaturisation the distinction between notebook and sub-notebook PCs is likely to blur over time. At the other end of the scale, older style laptop PCs - the second generation of portable PCs after "transportables" - are all but

## European notebook market share 1993



were worth \$3.6bn last year and represented 17.4 per cent of the total European PC market. In terms of unit shipments, portables represented 14.5 per cent of the 10.3m PCs shipped in 1993.

Growth of the portable PC market has flattened since the "boom" years between 1990 and 1992. Nevertheless, Dataquest predicts that between 1993 and 1998 portable computer sales will grow by a compound annual rate of 23.4 per cent, compared with 8.4 per cent for desktop PCs.

Within the portable PC segment, notebook PCs represent the lion's share of the market and sales grew by just over 15 per cent between 1992 and 1993.

Slower growth in the notebook PC market in Europe has led to intensified competition between manufacturers and to considerable consolidation. In

defunct. Perhaps the most disappointing segment of the portable PC market, after an initial flurry, has been the market for organisers, personal digital assistants (PDAs) and other hand-held computing devices.

Although some expandable organisers, such as Psion's Series 3, have been well received, Mr Goldberg argues that wider acceptance of hand-held PCs is dependent on the widespread availability of reasonably-priced communications, in particular wireless networking, and on rationalisation among the many competing platforms.

In the meantime, however, some hand-held computing devices, particularly those with wireless communication features built in, have found niches in vertical markets - for example, for meter readers, traffic wardens and the emergency services.

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## CASE STUDY

## Innovative solution for couriers

When the so-called "ring of steel" was thrown around the City of London in 1992 to prevent terrorist attacks it made it increasingly difficult for courier companies to use vehicles for delivery and collection.

Federal Express, a market leader on the busy transatlantic route, came up with an innovative solution - it set up a team of 15 City Foot Couriers and equipped them with the latest data communications hand-held computers from Psion, operating over the Ram packet-switched mobile data network.

The Psion EC R400 hand-held radio data terminals combine a MS-dos compatible computer and a radio packet modem in a single rugged battery-powered package weighing less than 1kg and small enough to fit in a pocket.

The process of delivering and collecting packages is controlled by a dispatch centre which sends messages to individual couriers. By scrolling through a series of menus on the hand-held device, couriers select an appropriate response, informing the centre that the message has been received and will be acted upon.

Extending Express has its own private mobile radio system for its fleet-based operations, but this did not offer the same facility for data transmission and has limited coverage.

Mr Graham Ritchie, manager



Federal Express couriers carry computers from Psion, operating over the Ram packet-switched mobile data network

for systems development, explained: "The dispatch and delivery system (Dads) we use for vehicle operations is PMR-based and requires a licence to operate. It is also expensive to maintain."

"A large number of the banks, broking houses and blue chip companies in the area enclosed by the 'ring of steel' are our customers. To maintain and improve our service to them we needed a foot courier service with a more flexible communications operation."

"The expense involved in extending the PMR system was prohibitive; the Ram Mobile Data solution was the most cost-effective, reliable option and an important enhancement to our intercontinental service."

Federal Express tested the mobile data solution over several months using separate hand-held computers and modems. As soon as the Psion EC R400 integrated unit was available in August, the decision to roll-out was taken.

Because the operations manager can keep tabs on all couriers, he can monitor workloads and change schedules to maximise the number of deliveries each individual can make. Federal Express expects to increase productivity with some couriers making 50-60 drops before midday.

Customers benefit from faster, more accurate information on the status of their consignments - once a parcel has been delivered the courier can key the Psion which then links to the central system to update the sender.

Psion and Federal Express worked closely together to integrate the mobile terminals with the host application using Psion's generic application programming interface (API), Universal Radio Interface (URI), which handles the communications over the Ram network.

URI "talks" to the Dads host from a PC gateway and to the mobile applications running on the Psion devices. It manages the "life" of a message, alerting the dispatcher if customer service is going to fall outside promised response times.

The success of the City implementation has prompted federal Express to investigate the possibility of implementing the same system in its London West End operations, which are experiencing increasing traffic flow problems.

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Jury selection starts



Peugeot Citroen

Last ditch move

Israel restarts...

London...

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Sabena...

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Tokyo relaxes rules...

Eurolunnel shares...

Eurolunnel

Swinging London...

Swinging London...

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